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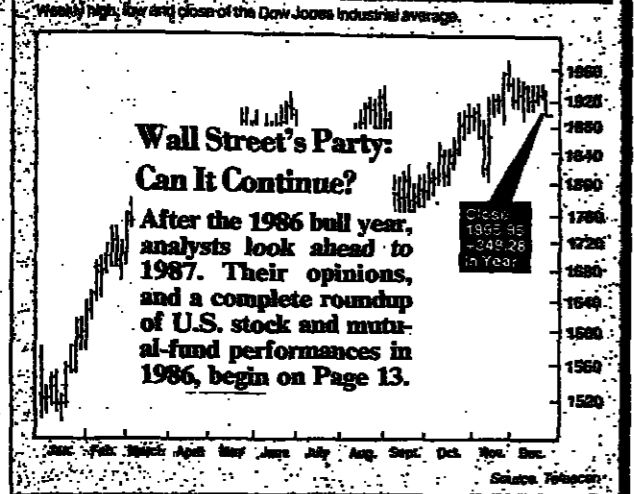
LATE NEWS

Rail Accidents Kill at Least 9 in U.S.

ESSEX, Maryland (AP)—An Amtrak passenger train collided with three diesel engines and derailed Sunday about seven miles east of Baltimore, killing at least six persons, injuring at least 100 and trapping passengers in the wreckage, authorities said. "Four passenger cars were on top of each other," a police spokesman said. "They're all twisted in a mess."
 In York, Alabama, three persons died when a car they were in was derailed in half by a passenger train at a rail crossing, authorities said.

INSIDE TODAY

The Dow's Performance in 1986



GENERAL NEWS
 ■ Congress predicts the U.S. budget deficit for the fiscal year 1987 will amount to \$174 billion. Page 5
 ■ China is holding 12 persons in connection with student demonstrations, according to the official press. Page 2
 ■ Prime Minister Jacques Chirac faces new labor strife as train strikes threaten to spread to other sectors. Page 5
BUSINESS/FINANCE
 ■ 138 U.S. banks failed in 1986, a post-war record. Page 9
 ■ Just 10 years after getting a bailout loan, Britain has become the world's second-largest international creditor. Page 9

Hotel Fire Was Set; Toll Is 96

Inquiry Finds Where Blaze Was Started

SAN JUAN, Puerto Rico—U.S. investigators have determined that arson caused the New Year's Eve fire that killed 96 people at the Dupont Plaza Hotel, the justice secretary said Sunday.
 "We have determined the point of origin of the fire and how it spread," Justice Secretary Hector Rivera Cruz said at a news conference. "We concluded that it was arson, an incendiary fire."
 But Mr. Rivera Cruz said a special team from the Bureau of Alcohol, Tobacco and Firearms of the U.S. Treasury Department had not determined how the fire was set. They had not found evidence of explosives, he said.
 The bureau's team, along with FBI and local arson investigators, based their conclusion on an examination of the physical evidence found at the 20-story hotel.
 Some physical evidence will be shipped to the bureau's offices in Washington for testing to determine the cause of the fire, Mr. Rivera Cruz said.
 Officials said Saturday that a telephone caller had told police two hours before the blaze that a bomb had been planted at the hotel, but that police did not conduct a search. Witnesses have reported hearing explosions at about the time the fire started.
 A report of a separate warning was published in Saturday morning's issue of The San Juan Star.
 Quoting what is called "a reliable source" in the Puerto Rican government, the newspaper said three men reported to the Special Investigations Bureau of the Puerto Rican Justice Department that a union official told them Wednesday to "get out" of the hotel casino "right now, because things are going to happen any minute now."
 The article did not name the three men but said they received the warning "about 10 or 15 minutes" before the fire.
 A meeting of about 125 members of Local 901 of the International Brotherhood of Teamsters, which represents the hotel employees, was held just before the fire broke out.
 The union has rejected suggestions by local and federal investigators of a connection between the labor dispute and the fire.



Mixed-Race Minister Defies Beach Apartheid

The Reverend Allan Hendrickse, one of South Africa's two nonwhite cabinet ministers, leading 150 supporters of his mixed-race Labor Party into the sea at a whites-only beach in Port Elizabeth. Under the resentful gaze of whites, Mr. Hendrickse took his protest swim declaring "this is God's Beach." Police were present at the beach but did not intervene to halt the demonstration. Page 2.

India Ponders Widening Strife

Some Fear Agitators Are Often Behind the Violence

By Steven R. Weisman
 New York Times Service
NEW DELHI—A wave of violent protest over regional, religious and linguistic grievances has flared in different parts of India in recent weeks, reviving some old concerns about the difficulties of national integration.
 Although the incidents have been isolated and apparently unrelated, political analysts suggest that the protests have been wider in scope and more violent than others in the last few years.
 The violence, coinciding with the last weeks of 1986, have inspired a series of introspective year-end editorials and public comments in the Indian press.
 Many commentators wondered, for example, whether the problem involving Sikh secessionists in the northern Indian state of Punjab may be spreading as agitators for other causes become increasingly militant.
 "If the government is perceived as being too tough toward protesters, it provokes a reaction," a Western diplomat said. "If it is perceived as too lenient, that provokes a reaction, too. Either way, the government loses control."
 According to official figures, more than 600 people were killed in violence in the Punjab in 1986, many of them in spectacular or gruesome massacres carried out by extremists demanding an independent nation for Sikhs.
 Among the recent episodes in other parts of India were several

The violent protests are reviving concerns about the difficulties of national integration.

In the southern state of Tamil Nadu, protesters against the use of Hindi as a national language have set off bombs and held mass demonstrations, leading to the detention of as many as 19,000 people.
 Meanwhile, news organizations reported that more than 100 people died in 1986 as tribal separatists in the remote northeastern state of Tripura clashed with ethnic Bengali plain dwellers.
 From the time of independence in 1947, India has had difficulty forging a sense of national unity out of its hundreds of ethnic, linguistic, religious and regional groups and subgroups.
 Language has been an especially explosive issue, boiling over into serious riots two decades ago among ethnic Tamils in Tamil Nadu, where there was talk of secession at that time.
 The history of such conflicts has led aides to Prime Minister Rajiv Gandhi to caution against drawing any conclusion that India is suddenly coming apart at the seams.
 In an interview, an aide to Mr. Gandhi noted that the language protests in Tamil Nadu had not even approached the level of those in the 1960s. He said that other problems in Goa, Karnataka and elsewhere were isolated in nature.
 "In this country, it takes very little to start a new round of ethnic violence because tensions are always beneath the surface," he said. "We have to keep things in perspective."
 But critics of Mr. Gandhi say his government may be ignoring some dangerous trends behind the violence, notably that it seems to have

Cocaine Business Rebounds in Bolivia

By Marilee Simons
 New York Times Service
SANTA CRUZ DE LA SIERRA, Bolivia—Six weeks after U.S. troops left the country after conducting four months of operations against cocaine traffickers, the cocaine business seems to be operating with greater vigor than ever.
 In the scramble to make up for lost time, the price of the limited supplies of coca leaf has risen higher than what it was before the American drive.
 "The pressure is off," a narcotics expert said. "Stocks had fallen very low, so now everybody is replenishing."
 Although the U.S. troops, joined by Bolivian forces, ruined about 20 laboratories that turn coca paste into cocaine powder, law enforcement officials said several large workshops had started up again in the forests of the hinterlands.
 "Chemicals were hidden and a new crop of leaf is coming in," an official said. "There is this get-it-while-you-can attitude, because people are unsure what will happen next."
 This new uncertainty has prompted some racketeers to try to sell their more conspicuous assets, such as purebred horses in a place where races are rare and fast cars in a land of few and poor roads.
 Also, the authorities have grounded temporarily as many as 300 small planes while investigating the uses to which they have been put, and some nervous traffickers have reportedly hurried to disguise ownership.
 "We are finding funny things, like planes re-registered in the names of mechanics," an official said.
 Among businessmen and shopkeepers around the Santa Cruz plaza—the shaded heart of Bolivia's second-largest city, which has prospered because of cocaine—the future of the cocaine trade and of its economic spin-offs is a matter of concern. The debate invariably revolves around the question whether the American presence has made more than a short-term difference.
 U.S. and some Bolivian narcotics experts, though saying it may take several years for drug trafficking to disappear here, regard the arrival of the troops as a turning point.
 They hold that it demonstrated the willingness of President Victor Paz Estenssoro to pay the high economic and political price of taking on the drug barons. More important than the gains scored against the traffickers, they believe, the military operations broke the old taboo that fighting the coca trade would be unpalatable.
 With six American assault helicopters on loan and a reorganized narcotics police, Bolivia is capable of containing its own crackdowns.
 By contrast, the less upbeat view of some diplomats and politicians is that despite his commitment, the president can do little to eliminate the ingrained corruption of the military and the police, particularly in a business where bribes and protection payoffs are enormous.
 Moreover, the success of the country's main official exports, natural gas and tin, are badly depressed, and the closing of many tin mines has put tens of thousands out of work. So cocaine revenue, which is placed at well over \$500 million a year by most estimates, has never been more important to Bolivia.
 One measure of the pull of narcotics, diplomats said, is that the price of coca leaves has risen this month to \$150 for a 100-pound (45-kilogram) bag. Such a bag cost \$125 when the 170 U.S. troops arrived.
 One side effect of the recent crackdown, diplomats say, is a sudden rise in drug-related violence, a problem that until now had been mainly associated with Colombia. They believe this confirms that the

Libyans Bomb French-Defended Sector in Chad

By Paul Lewis
 New York Times Service
PARIS—Libyan planes bombed towns in Chad on Sunday below the 16th parallel, which has been defended by French troops to keep Libyan-backed rebels out of the southern half of the country, the Defense Ministry here said.
 The ministry, confirming earlier reports on Radio Chad, said the raids were carried out by four Soviet-built Libyan MiG-23 fighters bombers on the towns of Arada and Biltine, about 400 miles (650 kilometers) northeast of Ndjamena, the capital of the former French African colony. The ministry gave no further details.
 Radio Chad said Libya was attacking "defenseless civilians" following successes by government forces fighting Libyan troops and their allies for control of the desolate northern part of the country.
 [The Libyan news agency JANA denied that Libyan planes bombed Arada. It said they only carried out reconnaissance flights "to monitor Libya's southern borders with Chad." The Associated Press reported from Paris.]
 The raid was regarded by analysts here as a challenge by Colonel Muammar Gadhafi, the Libyan leader, to France.
 France has warned that it will retaliate with force against any Libyan incursions south of the 16th parallel.
 In February, French planes bombed a Libyan military airstrip at Ouadi Doum after a lone Libyan bomber dropped a bomb on the airport at Ndjamena.
 France also stepped up its military defense of southern Chad, sending troop reinforcements and bringing in new radar, anti-aircraft missiles and fighter planes. France has about 1,200 troops in the country.
 French officials said that the Libyan raid appeared a response to stepped up fighting above the 16th parallel. President Hissène Habré is seeking to recapture the north from Libya and its dwindling band of rebel allies with indirect French and U.S. assistance.
 Libyan radio accused France on Sunday of "reinforcing its military intervention in Chad in order to help Habré's rebel clique." Libya has repeatedly denied having troops in Chad, which has been at civil war for 20 years.
 Mr. Habré launched the two-pronged attack nearly three weeks ago after the balance of power in the north changed dramatically when forces loyal to Goukouni Oueddei, a former president and the principal rebel leader, broke with Libya and switched their allegiance to Ndjamena.
 Last week the Chad military command said its forces had recaptured the important northern towns on Fada in the east and Zouar in the west and inflicted heavy casualties on the Libyan forces defending them. According

Rebels Agree To Autonomy In Mindanao

By Keith Richburg
 Washington Post Service
MANILA—The government of President Corason C. Aquino and the head of the leading Muslim secessionist movement signed an agreement Sunday allowing residents of five southern island groups to vote on whether they want autonomy from the central government.
 The announcement of the agreement appeared to mark a breakthrough in the secessionists' 14-year war for Muslim self-rule in the south. The agreement was reached after Nur Misuari, a leader of the Moro National Liberation Front, dropped his demand for independence in Mindanao and agreed to accept autonomy.
 The agreement, granting autonomy "subject to democratic process," was signed in Jeddah.
 Nur Misuari agreed that Christians as well as Muslims should vote on autonomy in the five islands. He said Sunday that he believed Christians would join Muslims in approving self-rule in the south to end what is perceived to be economic exploitation of the prosperous region by the government in Manila.
 The agreement also marked a victory for Mrs. Aquino's policy of talks aimed at ending the array of insurgencies plaguing the Philippines, including a Communist rebellion and a small tribal insurgency in the Cordillera mountains. The Aquino government reached an accord with the Cordillera rebels, but peace talks with the Communists

No New Cancer Found In Reagan Colon Exam

BETHESDA, Maryland—Doctors at Bethesda Naval Medical Center found and removed four polyps from President Ronald Reagan's colon Sunday, and the president's physician said examination of the polyps "show no evidence of a recurrence of the cancer found in July 1983."
 Mr. Reagan, who turns 76 next month, entered the hospital Sunday for two medical procedures: the examination of his colon and surgery Monday to relieve an enlarged prostate gland.
 Doctors said both procedures are considered routine, with little risk of serious complications. The president is expected to return to the White House by the end of the week.
 A brief written statement issued by the president's physician, Dr. John Hutton, after the colon examination said, "The president feels good and immediately began reading briefing papers on items on the presidential decision-making agenda."
 Dr. Hutton said the polyps, small fleshy growths taken from the inside of the president's intestine, would undergo laboratory evaluation and that final results would be made known Monday.
Prostate Cancer Assessed
 Lawrence K. Altman of The New York Times reported from Washington.
 Mr. Reagan's prostate operation is to take place early Monday. Its aim is to reduce the size of the gland. The prostate, which secretes the male ejaculatory fluid, commonly becomes enlarged in older men and causes them discomfort.
 One possible result of the procedure is that doctors could find prostate cancer. Chances of discovering that are generally regarded as about 10 percent, and such a finding would not necessarily be dangerous.
 The prostate procedure will get under way Monday with an anesthetic injected between the vertebrae in the lower spine.
 A few minutes later, while Mr. Reagan remains awake, the two

Giants Thrash 49ers; Redskins Surprise Bears

The New York Giants crushed the San Francisco 49ers, 49-3, on Sunday to advance to the National Conference final against the Washington Redskins, who upset the Chicago Bears, the reigning National Football League champions, 27-13.
 Joe Montana, the 49ers' quarterback, suffered a concussion late in the first half against the Giants and left the game.
 Against Washington, Chicago's defense gave up the most points it has yielded since the season opener, and the Redskins defense befuddled Doug Flutie, the fourth quarterback the Bears have used this season.
 In the American Conference, the Cleveland Browns used a field goal by Mark Moseley at 2:02 of the second overtime period to nip the New York Jets, 23-20. It was the third-longest game in professional football history.
 Cleveland is to face New England or Denver for the conference title.
Stories on Page 19.



Penn State players lift Joe Paterno, their coach, after winning U.S. college football's national championship by beating Miami in the Fiesta Bowl, 14-10. Page 19.

U.S. Study Links Japan's Economic Success to Rigor of Its School System

By Edward B. Fiske
 New York Times Service
NEW YORK—In an unusual official look at another country's school system, the United States Department of Education has linked Japan's economic success to the rigor and efficiency of its primary and secondary schools.
 The department, in a study entitled "Japanese Education Today," which was made public Saturday, described Japan as a "learning society of formidable dimensions." It said that the ties between schools and the job market there were "closer and more effective than in most other industrialized nations."
 A parallel study of American education was released in Tokyo by Japan's Ministry of Education, Science and Culture.
 The two studies grew out of conversations in November 1983 between President Ronald Reagan

and Prime Minister Yasuhiro Nakasone.
 The U.S. secretary of education, William J. Bennett, rejected the argument of some educators that the homogeneity of Japanese people and other cultural differences between the two nations made it difficult to "distill lessons for ourselves from the experience of Japanese education."
 He wrote that Japan had put into practice "the American belief in the value of universal education" and resolved "the American quandary over 'equality' and 'excellence.'"
 Mr. Nakasone stirred a dispute in the United States last September when he said that Japan had a higher intelligence level than the United States because it was a one-race society.
 Japanese schools, Mr. Bennett wrote, have been "demonstrably successful" in providing their nation with capable workers and a

broadly literate population. Many aspects of Japanese schools can be traced in part to American influences in the post-World War II occupation period, he added.
 "Our educational ideals are better realized on a large scale in Japan than observers have tended to realize," he wrote.
 "Leaving aside special schools and programs in the U.S., the Japanese generally seem to expect a level of performance that is closer to children's true intellectual capacities than Americans ordinarily do," he wrote. "More remarkably, they adhere to these standards for virtually all youngsters, never supposing that one or another category or sub-population cannot accomplish as much as everybody else."
 The 111-page study, written by specialists in comparative education, noted that Japanese students consistently scored high on international tests of educational achievement.
 Reasons for the high scores, the scholars said, included well-defined curricula, close parental involvement in children's education, the high social and economic status conferred on classroom teachers and the "hard work" that students devote to their education.
 "None of these are surprises," said Chester E. Finn Jr., the assistant secretary whose office supervised the study. "Our own research has identified principles of effective education. The difference is

Tokyo Finds Little to Learn From U.S.

By Edward B. Fiske
 New York Times Service
TOKYO—In a companion report to an American study of Japanese schools that was released Saturday, a Japanese team has concluded that recent attempts at change in the United States "may be valuable as a reference tool" for solving problems here.
 But the Japanese side mentioned no specific aspect of American education that it considered worth emulating.
 The study said, "It is not our intention that contents of the current American educational system and reforms in it be proposed as elements of educational reform in Japan."
 In fact, its chief author, Isao Amagi, said at a recent news conference that it seemed to be the Americans who believed they had something to learn.
 "Recently, the outcome of common math tests show Japanese kids scoring higher than Americans," Mr. Amagi said. "American scholars have begun to question why. They know that Japanese class hours are longer than the Americans' and that Japanese schools are using the class hours more efficiently, and that Japanese teachers impose a lot of homework on kids."
 "American scholars," Mr. Amagi said, "seem to share the view that the American educational system has fallen into mediocrity. American kids register very bad scores on international tests. In the past they talked of a 'Sputnik shock.' Now maybe there's a 'Toyota shock.'"

Aquino Begins Drive For New Constitution; Enrile Leads Opposition

By Keith B. Richburg
Washington Post Service

NAGA, Philippines — President Corason C. Aquino has officially launched a drive for approval of a new constitution, opening a campaign that has largely become a test of her popularity and a referendum on her government.

In rallies Saturday at Naga, a pro-government stronghold in the Bicol region, and at nearby Legazpi City, Mrs. Aquino and other officials barely mentioned the constitution. Instead, they spoke of the president's accomplishments after two decades of political and economic atrophy under Ferdinand E. Marcos.

The constitution is expected to win resounding approval in the Bicol region, which gave Mrs. Aquino her largest margin of victory over Mr. Marcos in elections 11 months ago. But from the placards on display, and from conversations with some spectators wearing yellow "I Love Cory" shirts and headbands, it was clear that the people of Bicol

would be voting yes because of Mrs. Aquino, not necessarily because of a constitution that few say they have read or understand.

The president's most vocal critic, former Defense Minister Juan Ponce Enrile, established himself Saturday as the new leader of the political opposition by opening a campaign to reject the constitution in the Feb. 2 plebiscite.

Mr. Enrile, like the president's backers, has made the campaign a referendum on Mrs. Aquino.

In appearances on Mindanao Island in the south, Mr. Enrile used some of his harshest language to date to attack the government, calling it a "dictatorship, no more, no less." Although he led the revolt that installed Mrs. Aquino, Mr. Enrile was dismissed from her cabinet nine months later amid rumors of a coup.

"We should reject the constitution in order not to establish a precedent for future dictators of the Filipino people," he said at a rally of the opposition Nacionalista Party, of which he is the de facto leader. He accused the government of using political blackmail and of "putting the gun to your head" in demanding approval of the constitution.

"The Aquino government's ability and capacity to exist and survive solely depend upon the force of arms of the armed forces of the Philippines," he said. The rallies Saturday seemed to mark a symbolic resumption of political life in the Philippines. Politics was once akin to the national sport, but until last year's presidential campaign it had become a sideshow during Mr. Marcos's 20-year one-man rule.

Before the campaign openings Saturday, the myriad political parties on left and right had begun jockeying for position and forging alliances, using the constitution campaign as the first real test of strength before elections in the spring.

In one unusual partnership, Mr. Enrile, an ardent anti-Communist, finds himself on the same side as a Communist-influenced party called Partido ng Bayan, Partido ng Bayan, which earlier said it would support the constitution with reservations, its assent leaning toward opposing it, asserting that the charter does not adequately address social injustices.

The constitution is also opposed by the remnants of Mr. Marcos's party, the New Society Movement, or KBL, which has been seeking a role in the post-Marcos era.

Since Mrs. Aquino declared a "revolutionary government" in March, the country has had no legislature. All elected village and provincial politicians were dismissed, replaced by appointees who critics charge are incompetent.

The conflicting political egos of members of Mrs. Aquino's cabinet have produced some public squabbles, and the government has faced almost weekly threats of a coup, first from Marcos loyalists and later from a group of young, middle-level army officers loyal to Mr. Enrile.

There is also a persistent threat from well-armed and disciplined Communist insurgents. The rebels have shown no indication of surrendering, though they agreed to a cease-fire, and they have scored some major propaganda points during the lull in the fighting.

Many of the posters in Naga and Legazpi City read: "Yes to Peace, Yes to the Constitution." But approval of the charter seems unlikely to mean peace either with the Communists or with a group of equally well-armed Moslem insurgents fighting for self-rule on Mindanao.

Both groups have rejected the constitution and said that even wide public approval of the document would not alter their demands in their negotiations with the Aquino government.

The constitution would establish a U.S.-style system of government but would substantially reduce the powers of the presidency to prevent the type of abuses that occurred under Mr. Marcos.

"The new constitution lessens my presidential powers," Mrs. Aquino said at a luncheon on a university campus in Naga, "but I don't mind." What is more important, she said, is that the document "will nurture the newly regained freedoms we have."

MANILA: Mindanao Pact

(Continued from Page 1)

bogged down after the government won a cease-fire last month.

Nur Misuari and the government negotiator, Agapito Aquino, the president's brother-in-law, gave telephone interviews from Jeddah shortly after the conclusion of their final meeting Sunday.

"For the sake of peace and for the sake of all other reasons, we had to exercise some flexibility despite the demands of the people," Nur Misuari said. "The people were clamoring for independence, because they believed that was the only solution to the internal problems of Mindanao."

He added, "My demand for independence would not be wise anymore because the Philippine government is going to do something to satisfy the demands of the people."

Mindanao produces most of the country's iron, pineapples, coffee and corn. The region's residents have long felt that their resources are unfairly exploited by Manila, where successive governments, the southerners believe, have failed to return funds for the economic development of the region.

The agreement signed in Jeddah covers the island groups of Mindanao, Basilan, Palawan, Tawi-tawi and Jolo. It also proposes the "immediate formulation and implementation of an economic and social development program for the areas agreed upon," Nur Misuari said.

Mrs. Aquino said the autonomy agreement was consistent with limited self-rule granted to the Moslems under the proposed Philippine constitution, which will be voted on in a plebiscite Feb. 2.

In a separate accord signed Sunday, however, the government panel agreed to ask the president to nullify the provisions in the constitution that deal with Mindanao autonomy. She is considered unlikely to do so.

It was unclear whether that request to Mrs. Aquino would present an obstacle to full implementation of the Jeddah agreement. Nur Misuari said that without changes in the constitution "all our exercises here in Jeddah would be brought to naught. It would become an exercise in futility."

But he added that he believed Mrs. Aquino to be sincere in wanting to address Moslem grievances.

Another potential sticking point was the reaction of other Moslem groups, which have been waging separate guerrilla wars for Mindanao independence. Nur Misuari said he was negotiating with representatives of Hashim Salamatt, leader of the breakaway Moro Islamic Liberation Front, in an effort to agree on a possible reunification meeting before he leaves Saudi Arabia.

Mrs. Aquino said the autonomy proposal would be voted on province by province. Autonomy would be limited to education, local laws and the judicial system.



49 Die, 2 Survive in Plane Crash in Ivory Coast
Rescuers removing a survivor from the site of the crash of a Boeing 707 of the Brazilian airline Varig. The jet went down in a forest shortly after taking off from Abidjan for Rio de Janeiro on Saturday. The dead, mostly from Africa and South America, included an American and three Europeans.

Mixed-Race Cabinet Minister Defies Beach Apartheid in Protest Swim

By Alan Cowell
New York Times Service

JOHANNESBURG — A mixed-race cabinet minister led supporters onto a beach reserved for white bathers in Port Elizabeth for a swim Sunday to protest apartheid segregation laws.

The Reverend Allan Hendrickse, one of two nonwhite ministers without portfolio in President Pieter W. Botha's government, declared, "This is God's beach," as he and about 150 followers attending a party congress took to the water.

Police and conservative whites opposed to racial mixing on South Africa's beaches looked on but took no action against Mr. Hendrickse and his supporters, who, under apartheid's definitions, are classified as colored persons.

Beach apartheid has become a major issue in recent days because of racial violence on the waterfront in and around Durban, where some beaches are still racially segregated. Cape Town's beaches are open to

all races. In Port Elizabeth, the city council's decision to desegregate most beaches has yet to be ratified by senior administrators.

The city council has, however, removed the "whites only" signs at all but one of Port Elizabeth's beaches and the police have shown themselves reluctant to prosecute nonwhite bathers at these beaches. Mr. Hendrickse and his followers swam at such a beach Sunday.

Mr. Hendrickse leads the mixed-race Labor Party, one of the non-white groups in South Africa's segregated, three-chamber Parliament.

The action seemed only a minor nudge against apartheid, and the authorities offered no immediate comment on what could be interpreted as a breach of the law by a cabinet minister.

Earlier in the party's annual congress, Mr. Hendrickse drew a rebuke from Mr. Botha for demanding that laws segregating residential areas be scrapped. He said he would be forced to consider pulling out of the tricameral Parliament, which is a cornerstone of Mr. Botha's cautious policy of change, if the legislation were retained.

But Mr. Botha, who has called premature elections for this year among white voters only, made clear in a statement that racially exclusive suburbs would remain.

The statement was interpreted as an assurance to white voters uncertain of where the program of change is leading and wooed by parties to the right of Mr. Botha that seek a return to total racial separation.

South African newspapers expressed concern Sunday that censorship under the nation's emergency decree, in force since June 12 and tightened last month, would turn the voting into what one newspaper, the Sunday Times, called "the gagging election."

Emergency censorship forbids both the utterance and press reporting of a wide range of state-

ments deemed "subversive," including those that could be interpreted as inciting resistance or opposition to the government's handling of the state of emergency.

Opposition politicians, thus, may be hampered in enunciating an anti-government program based on dissent from emergency rule.

Meantime, the Bureau for Information, which is the sole official source of news about South Africa's crisis, reported more unrest in black townships. The bureau's daily bulletin said a black youth was burned to death by a crowd and a black man was wounded when security forces fired shotguns at a crowd of 200 blacks stoning a patrol.

On Saturday, an explosion apparently caused by a bomb occurred inside a 31-story office building in Johannesburg. The police said three black women were wounded.

Israel Strafes South Lebanese Area In Reprisal for Hezbollah's Attack

By Nora Boustany
Washington Post Service

BEIRUT — Israeli helicopter gunships strafed houses Sunday in southern Lebanese villages suspected of serving as hideouts for radical Shiite Moslem guerrilla fighters in the first such air strike this year.

The Israeli army said in Tel Aviv that the helicopters attacked targets in two villages 12 miles (20 kilometers) north of the Israeli border on the fringes of the region that Israel has declared a "security zone."

Local radio reports said Israeli armored vehicles were seen moving around the area of Bint Jbeil, just south of the two villages.

The raid appeared to be a retaliation for an operation mounted by Islamic fighters in the region, at Baraicheh, three days ago. Guerrillas of the pro-Iranian Hezbollah Army of God organization overran two positions held by the Israeli-backed South Lebanon Army and killed six members of the army.

Two Hezbollah guerrillas died in the clash during which the Shiite guerrillas captured an Israeli-supplied troop carrier.

Meanwhile, doctors at two Beirut hospitals were concerned by an

outbreak of a collective intoxication among Palestinian refugees living in badly ventilated underground shelters and garages.

At least 70 persons have required hospitalization in the last 24 hours. Victims arrived with symptoms of severe dizziness, asthma and suffocation.

■ **Ferries Dock on Cyprus**

Two Cypriot ferries docked safely in Larnaca, Cyprus, on Sunday from return trips to Lebanon as Foreign Minister Shimon Peres of Israel said that one had been intercepted to try to prevent Palestinian attacks, Reuters reported Sunday from Larnaca.

An Israeli gunboat Friday stopped the ferry, the Sunny Boat, carrying 64 passengers as it sailed in international waters for Jounieh, 80 miles (130 kilometers) north of Israel's border with Lebanon.

The navy found Palestinian fighters on board and sent the ship back to Cyprus, an Israeli spokesman said.

The Sunny Boat arrived in Jounieh Sunday with 250 passengers while another ferry, the Empress, unloaded at dawn in Larnaca after picking up 600 passengers from the Lebanese port. Neither ship reported any incidents on the journey.

China Holds 12 for Links To Protests By Students

Washington Post Service

BEIJING — The police have arrested or brought in for investigation 12 persons connected with the student unrest in China, according to official press reports.

University campuses were reported quiet Sunday, but a few posters critical of the government and press were sighted at Beijing Teachers University and at Beijing University, where final examinations are to be held Monday.

A poster at Beijing University was an open letter to Deng Xiaoping, China's senior leader. It accused the government-controlled press of "seriously distorting" reports on the student demonstrations and urged Mr. Deng to break his silence on the demonstrations.

The poster expressed support for Mr. Deng's economic changes.

Press reports described the 12 who are held as workers, technicians or unemployed persons.

They have been accused of disturbing public order, damaging property, spreading rumors and attempting to incite others to engage in trouble-making.

The latest report of an arrest appeared Sunday in the Beijing Daily newspaper. It said that a former student, Kong Nian, was held on charges of assaulting a student at Beijing Teachers University who refused to join a demonstration.

As far as can be determined, no student is under arrest.

Student sources said the police had detained 29 students from eight universities and institutes in the course of a demonstration Thursday in Beijing. But they said that all were freed within a few hours after students protested the arrests.

WORLD BRIEFS

Accused Israeli Spy Appeals to Court

JERUSALEM (NYT) — A technician awaiting trial for purportedly selling information about an Israeli nuclear installation has appealed to the Supreme Court to restore his rights to reading material and a radio, his lawyer says.

The radio and books were confiscated by the chief warden of the prison, who also suspended access to daily newspapers after the prisoner, Mordochai Vanunu, 31, wrote a message on his palm and flashed it to reporters last month while being taken to court. The message said he had been "hijacked" in Rome on Sept. 30.

"The chief warden of the jail punished him administratively, and he has the right to do that," Mr. Vanunu's lawyer, Amnon Zichroni, said Friday. He said that the radio was considered a privilege, but that his client was entitled to books and newspapers.

Soviet Magazine Interviews Sakharov

MOSCOW (AFP) — Andrei D. Sakharov, continuing the path toward official rehabilitation, has been interviewed by the Literaturnaya Gazeta, one of the Soviet Union's most prestigious magazines, he told Western journalists.

Mr. Sakharov said that the questions in the interview Saturday were "good," and that he had replied "trying to broaden the debate."

He declined to give details of the issues discussed and said he did not know whether the interview, to appear Wednesday, would be published in full. The magazine originally had requested an interview a month before Mr. Sakharov was allowed to return from internal exile in the city of Gorky on Dec. 20, but Mr. Sakharov declined.

Afghan Raid Kills 6, Pakistan Says

PESHAWAR, Pakistan (Reuters) — Afghanistan Air Force planes have killed six Pakistanis and injured 14 in a bombing attack on the Pakistani village of Arandu near the Afghan border, the Pakistani police said Sunday.

Several houses in the village were destroyed in the attack Saturday, the police said. The police said 15 bombs were dropped.

Pakistan asserts that Soviet-built Afghan planes crossed the border to attack Pakistani territory at least 600 times last year. The Soviet-backed government in Kabul dismisses the charges. It accuses Pakistan of violating its airspace and backing Afghan Moslem rebels in their eight-year guerrilla struggle.

Shamir Accepts Rabbi's Resignation

JERUSALEM (Reuters) — Prime Minister Yitzhak Shamir has accepted the resignation of Interior Minister Yitzhak Peretz but will continue to discuss the matter with Rabbi Peretz, a cabinet statement said Sunday. No replacement was appointed.

The resignation was not expected to lead to a crisis in the minority government. Israeli radio said that Rabbi Peretz's Shas Party would remain in the coalition. Under Israeli law, the resignation takes effect Tuesday.

The ultraconservative Orthodox rabbi resigned to protest an Israeli Supreme Court order that he recognize a Christian-born American immigrant as Jewish. The order also barred his ministry from stamping the word "convert" on identity papers of Shoshana Miller, who converted to Judaism in a Reform congregation in Colorado.

Zia Dismisses Leader in Sind Province

ISLAMABAD, Pakistan (UPI) — President Mohammed Zia ul-Haq dismissed the governor of Sind Province on Sunday as youths and police clashed in the province Sunday in sporadic violence.

An industrialist, Ashraf Tabani, was named governor of the southern province within hours of the dismissal of retired General Jahangir Khan, who had been criticized by opposition leaders for not acting quickly enough to control riots in Karachi last month.

They were the worst riots in the city since the creation of Pakistan in 1947. General Khan was vacationing in Sri Lanka when Mujahids, refugees who settled in Karachi after 1947, and Pathans clashed in riots in December. More than 170 people were killed.

For the Record

An American missionary has been detained by Zambian authorities, the U.S. Embassy in Lusaka said Sunday. He was identified as Robert Brain of the African Evangelical Fellowship.

A hurricane in the Cook Islands left about 1,000 people homeless and caused millions of dollars in damage to buildings and crops.

Correction

A headline in editions of Jan. 3-4 incorrectly stated the size of the increase in military spending President Ronald Reagan reportedly is seeking in his impending budget proposal. The amount is \$20 billion, a year.

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JAPAN: U.S. Study Cites Rigors of the School System

(Continued from Page 1)

light academic demands by faculty members, the study said.

The study, which took two years to complete, was conducted under the general sponsorship of the United States-Japan Conference on Cultural and Educational Interchange, a forum of government officials and leaders of the private sector devoted to fostering cooperation between the two countries.

Although a fiercely competitive examination system in Japan has its "negative aspects," the examina-

MOOD WATCH

MOOD WATCH

MOOD WATCH

MOOD WATCH

INDIA: Spreading Protest

(Continued from Page 1)

spread so quickly as to suggest that it was highly organized.

The Moslem protest over the short story in one city in Karnataka state, for example, loughed off immediate similar protests elsewhere.

There were even clashes between Moslems and the police in the far-away Moslem-dominated state of Kashmir in the north.

"In the earlier days, rioting tended to be spontaneous," said Rajni Kothari, a leading civil liberties advocate in New Delhi. "What you're getting now are a bunch of determined professionals backed by hired mobs."

For Mr. Kothari, two separate waves of violence in the last few years foreshadowed this trend. First were the anti-Sikh riots in New Delhi after the assassination of Prime Minister Indira Gandhi by two Sikh security guards in 1984. About 2,500 Sikhs were killed in those riots, and Mr. Kothari and others have long charged that they were organized or encouraged by leading politicians allied with Mrs. Gandhi and her son. These politicians deny the charges.

Next came the violence involving Hindus, Moslems and lower caste groups in the western state of Gujarat in 1985, where 250 people died over five months. The killings stopped abruptly after the police cracked down on what they said were organized groups seeking revenge on each other.

As in many of the recent flare-ups, the police blame "anti-social elements" and "miscreants" for fomenting the violence, but police officials say they are usually referring to organized crime groups involved in extortion, smuggling, drug trafficking and, frequently, payoffs to the police.

Thus, much of the violence is widely seen as coming from a small portion of society rather than a vague sense of tension among ethnic groups.

BOLIVIA: Cocaine Rebounds

(Continued from Page 1)

major operators here will not surrender without a fight.

Several killings have shocked the city. A botanist, his pilot and a guide were shot and killed in October when they accidentally came upon a clandestine laboratory in a rain forest north of here.

So far, however, no important cocaine boss has been jailed in Bolivia. Fifteen people arrested in July, who were said to be important underground figures, have been freed "for lack of evidence." The government has promised changes in the court system and new laws.

In Santa Cruz, a new police chief has also been named.

"Good idea," said a foreigner who has lived here for almost 30 years. "But if they want a police chief with clean hands, he may have to be changed every few weeks."

Algerian Moslem Chief Killed

ALGERIA — Mustapha Bviali, 46, an underground fundamentalist Moslem leader, was shot and killed by police in a gun battle Saturday at his stronghold of Larba, an official statement said Sunday.

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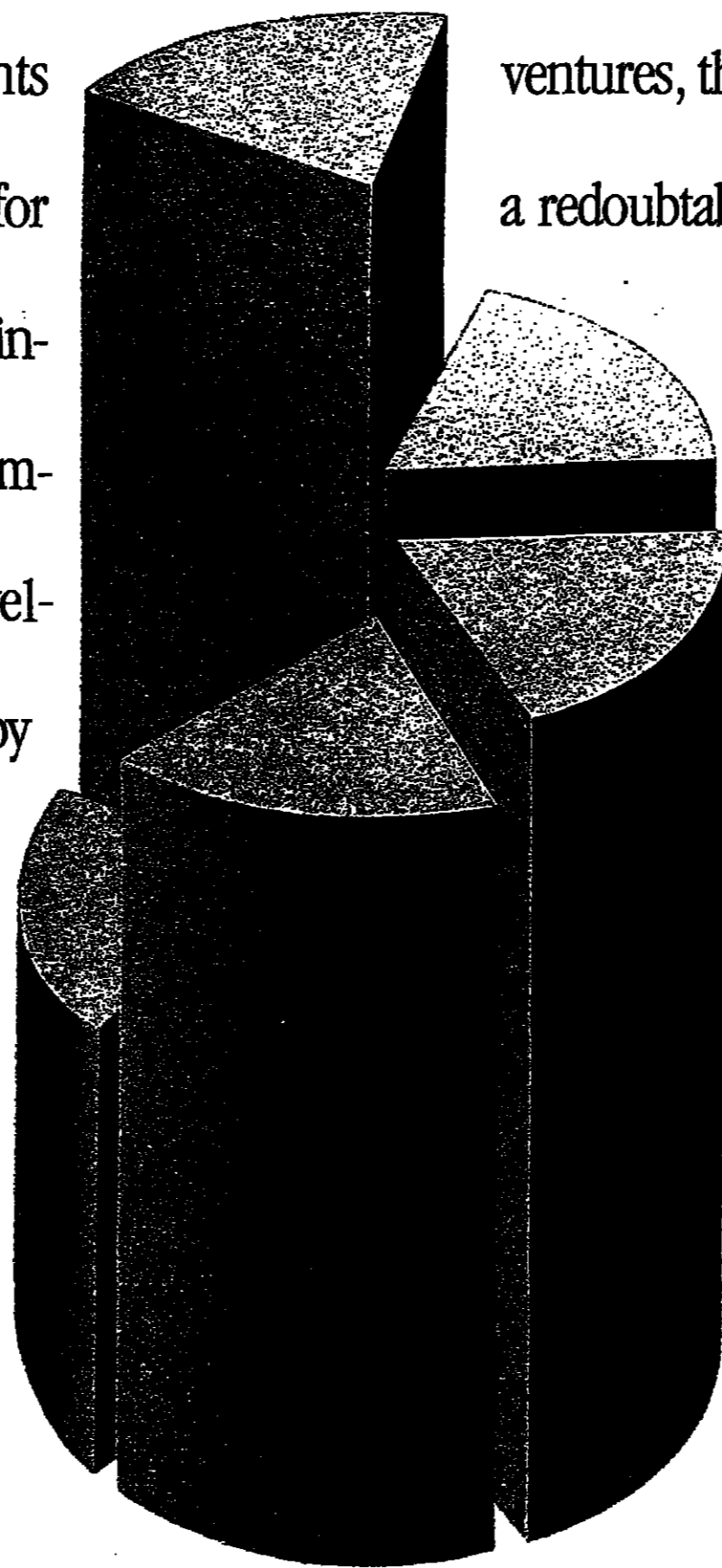


One of a series of messages from leading companies of the world appearing during the IHT's anniversary year.

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research. Relunched by an eclectic management, favourably disposed towards alliances and joint ventures, the holding company has emerged a redoubtable competitor worldwide. Diversification policy has justified itself by the success of the companies involved. Today, 25 % of Fiat's total volume is contributed by the rapidly expanding non-automotive sectors. Five years of improving results with 1986 even more outstanding than 1985 in terms of profits and sound capital structure. Results which justify the confidence in Fiat displayed by both private and institutional investors.



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INTERNATIONAL Herald Tribune

Afghanistan Dilemma

Seven years after its forces invaded Afghanistan, the Kremlin is trying to convince the world that it wants to extricate itself from a war that it has not won by military force.

have stepped up military operations. A bombing campaign against civilian populations and crops has been intensified to the point where an estimated 100,000 new refugees arrived in Pakistan in the last three months.

Glasnost, Somewhat

Just as Jimmy Carter and Ronald Reagan ran for president by running against Washington, so Mikhail Gorbachev seems to seek far-reaching changes by attacking the Soviet bureaucracy.

inforcement, in the form of trade and arms control, are not likely to foster a more moderate Soviet foreign policy.

The Perennial Speech

On Wednesday night a West German television network broadcast the wrong New Year's Eve message from Chancellor Helmut Kohl.

journalistic-literary tradition in which the emphasis may differ but the mix of ingredients is the same: somber and thoughtful reflection, thankfulness and cautious optimism about a coming year full, as it always is, of great opportunities and daunting challenges.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairman

Israel Jolts the Mideast's Nuclear Calculus

WASHINGTON—A dark nuclear charade is playing out in Jerusalem. On the surface it is about the former nuclear technician who is on trial on charges of telling a British newspaper that Israel has built and stockpiled 100 or more nuclear weapons.

By Stephen S. Rosenfeld quiet conspiracy since to keep a lid on the affair. The great powers are perfectly willing to advertise their reliability as patrons, but they are properly nervous about advertising their availability as nuclear guarantors.

'Relentless Self-Investigation' Is Sometimes Needed

NEW YORK—Abba Eban, the erudite former foreign minister of Israel, need look no further than Tel Aviv to see the sad results of an official cover-up of government wrongdoing.

By Tom Wicker what his own intelligence service was doing, as the commission reported; or that he did know and has been protected by cover-up?

Soviet Moslems: The 'Feudal Past' Has a Present

SANTA MONICA, California—Moslems noted in the Soviet Union during mid-December. The prompt Soviet reporting of unrest in Alma-Ata, capital of Kazakhstan, after replacement of the Kazakh party boss by a Russian official seemed to the West another remarkable manifestation of Mikhail Gorbachev's campaign for glasnost (openness) and an example of the difficulties facing his struggle against corruption and nepotism.

By Alex Alexiev This is the first of two articles. Central Asia numbered about 21 percent of the total; today it is about 13 percent and decreasing.

Moscow Faces a Post-Colonial Challenge

RUSSIAN Communists share the fate of those who ruled the old Western empires. They created a national intelligentsia and bureaucracy that has rapidly become used to modern civilization thanks to Moscow, and longing for full autonomy, feel a deep, if studiously concealed, hatred of Russians comparable to that of natives of English and French colonies in the years preceding independence.

LETTERS

Two Kremlin Faces The first secretary of a republic's Communist Party usually belongs to the local ethnic group and deals with current affairs. But the second secretary, in charge of personnel, is a Russian or a Byelorussian. It is he who promotes, demotes, assigns, rewards and punishes. When the first secretary is a Russian, this is simple dictatorship from Moscow.

Openness Can Be Part of the Solution

CONFLICT between nationalities must be very much on Mikhail Gorbachev's mind after Alma-Ata. But conflict is an inevitable component of politics, which can be fruitful only when conducted in the open.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Toward Toll War? NEW YORK—It is noted by the American press that President W.H. Taft's references to fixing the tolls of the Panama canal have excited agitation in Europe. An inspired message from Washington, published in New York [on Jan. 4], suggests that the agitation is needless because the President has admitted that the terms of the Hay-Pauncefote treaty must be maintained "by making the tolls uniform on the shipping of all nations, America included." It is more than hinted that the Washington policy, while adhering to the treaty, will "borrow a leaf from the European practice of subsidizing home shipping." An editorial in The New York Tribune says: "If it should happen that the United States really subsidized lines running to and through the

The Afghanistan War Sends a Message

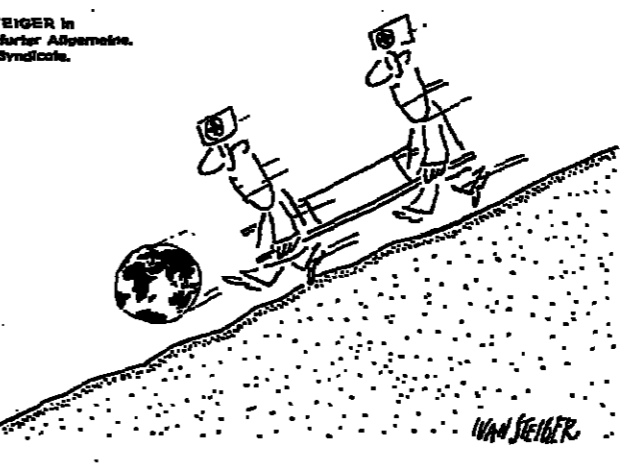
THE anti-Russian riots in Alma-Ata highlight the dangerous backlash that the war in Afghanistan has had in Central Asia. Soviet Moslems see a double message of hope in the news from Afghanistan: that the Soviet army is not invincible and that the Russians can be resisted. It may be assumed that without the encouraging example of the Afghan resistance, the latent xenophobia of the Kazakhs would never have exploded in a bloody riot.

Different Women

I really appreciate your article about Nora Astorga ("Mama's Chief Delegate Charms Her Colleague on UN," Insights, Oct. 1). But it is not right to mention Jeanne J. Kirkpatrick, the former chief U.S. delegate, without clarifying to your readers that the qualifications of the two women are not the same.

New Year's Resolutions Guilt-Free

By Flora Lewis LONDON—It seems better to me to make New Year's resolutions for other people. Then you don't have to feel guilty when they aren't kept. Here are some possibilities: President Reagan: I will stop dreaming of anything but Nancy and leave visions of a "star wars" perfect missile defense and of moderate mal-labs to the scriptwriters for films that I'll never make.



It's what you don't know and can't say that hurts.

signs on the dotted line. If he refuses, I'll invite him to Chernobyl. Eugene Hasenfus: I will make sure to carry a calling card of Lieutenant Colonel Oliver North with me whenever I get in an airplane. That way if anything happens he will be the hostage and I will be sent straight home. Oliver North: I will never trust Swiss bankers, and I will never hand out another business card. Daniel Ortega Saavedra: If Iran insists on financing the Contras against our Sandinistas, I will take Iranian hostages and sell them back to finance the Communists in Iran.

IN OUR PAGES, 75 AND 50 YEARS AGO

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AMERICAN TOPICS



STORM HITS U.S. ATLANTIC COAST — A wave crashes ashore in Hull, Massachusetts, during a powerful winter storm that struck the Atlantic coast of the United States from the Carolinas to Maine. At least 19 persons died, and the storm combined with high tides, which receded Saturday, to cause serious flooding.

Night Pilots Fight Dozing

Commercial airline pilots often fight intense drowsiness and sometimes fall asleep while flying planes on long overnight trips, according to Martin C. Moore-Ede of the Harvard Medical School. Occasionally, he says, everyone in the cockpit nods off at the same time while the plane flies on automatic pilot. In one incident, an airliner on a transcontinental flight to Los Angeles flew past its destination because everyone in the cockpit was asleep. The plane dived 100 miles (160 kilometers) out over the Pacific before ground crews roused them by radio. Dr. Moore-Ede, an expert on work scheduling and sleep, blamed the problem on boredom and erratic schedules. He said he asked 30 pilots, co-pilots and navigators to report instances when they had to fight to stay awake or drifted off while on the job. They averaged 32 such episodes a month, half between 3 A.M. and 7 A.M. A spokesman for the Federal Aviation Administration said the agency has heard of isolated cases of pilots falling asleep but does not consider it a major problem. Bill Price, a pilot and an official of the Air Line Pilots Association, said that while he has documentation of cases where flight captains have awakened to find everyone asleep, the real safety threat arises at lower altitudes, where pilots who are awake but tired thread their way through busy air corridors.

Short Takes

Florida passed Illinois as the fifth most populous state in 1986, marking the only change in ranking in the 10 largest states, the U.S. Census Bureau reports. The top 10 as of July 1: California, 26,981,000; New York, 17,772,000; Texas, 16,682,000; Pennsylvania, 11,889,000; Florida, 11,675,000; Illinois, 11,553,000; Ohio, 10,752,000; Michigan, 9,145,000; New Jersey, 7,620,000, and North Carolina, 6,331,000. Shorter Takes: The Ring Nursing Homes of Springfield, Massachusetts, publish a different kind of pimp calendar. The pimps average 85 years old. • Blackened redfish, a gourmet specialty that originated in Louisiana, has become so popular that the U.S. Commerce Department has banned the commercial fishing of depleted stocks of the red drum fish, most commonly used in the dish, during 1987 in the Gulf of Mexico. other signs are someone smiling slightly when discussing a serious topic or giving overly complicated explanations. Mayor Edward I. Koch's remark that a New York racist incident reminded him of the Deep South has angered several Deep South mayors. Michael Griffith, 23, a black man, was killed by a car when chased across a highway by whites who had attacked him. "I'd expect this kind of thing to happen in the Deep South," the New York mayor said. Five Mississippi mayors, from Brookhaven, Jackson, Columbia, Fayette and Greenville, took exception. They said jointly that Mr. Koch was welcome to come to Mississippi to see that it is not the racially tense state he saw in the 1960s. Kent Hance, who served three terms as a Democratic congressman from Texas before being defeated in a run for the Senate, says he doesn't miss the campaign parades, and "thank goodness I don't have to eat chicken anymore." He recounted four straight days of chicken at campaign lunches and dinners — baked chicken, fried chicken, chicken à la king, chicken salad, only to usually return home, where his wife proudly announced, "I'm frying chicken." He replied, "Come on up and help me take off the mattress and the bedsprings." Why? "So I can roost on the slats." —ARTHUR HIGBEE

Notes About People

A polygraph machine is not necessary to tell when someone is lying, says Dr. Joyce Brothers, columnist on popular psychology. Subtle telltale signs are enough, she says. A good liar will make a point of looking a person in the eye in an effort to be convincing, Dr. Brothers says, but at the same time his rate of blinking will increase. She says

Congress Expects Deficit to Exceed Limit

By Robert Pear
New York Times Service
WASHINGTON — The Congressional Budget Office has projected that the federal government will run deficits of \$174.5 billion this fiscal year and \$169.2 billion next year if Congress takes no action to change current law. The estimates may surprise some members of Congress, who adjourned in October saying they had reduced the deficit for the current fiscal year to \$151 billion. The target for the fiscal year 1987, sought by the budget-balancing law enacted a year ago, is \$144 billion. Because the law's provision for automatic spending reductions was invalidated by the Supreme Court, the burden to vote the cuts necessary to meet the target now falls directly on the legislators. Rudolph G. Penner, director of the Congressional Budget Office, said Friday that the new deficit estimates were based on revised economic assumptions and new data on tax collections and government spending patterns, including the effects of legislation passed in September and October. The congressional estimate for the deficit this fiscal year is close to the administration estimate of \$173.2 billion.

In a letter on Friday to the chairman of the House and Senate Budget Committees, Mr. Penner also presented his economic forecast, predicting that the economy would expand about 3 percent a year in 1987 and 1988. President Ronald Reagan's budget, to be sent to Congress on Monday, makes more optimistic economic assumptions: growth of 3.2 percent this year and 3.7 percent in 1988. A year ago, the administration predicted the economy would expand at an annual rate of 4 percent in 1987 and 1988. On Saturday, Mr. Reagan signed the budget he will submit to Congress. It is the first trillion-dollar budget proposal, calling for expenditures of \$1,024.3 billion in fiscal year 1988, which begins Oct. 1. It projects a deficit of \$107.8 billion, just below the target of \$108 billion set by law for the year. Mr. Reagan indicated on Saturday that he was prepared for a battle over the budget with the Democratic-controlled Congress. In his weekly radio address, he warned lawmakers: "You can't have it both ways. You cannot deny deficits and then pass budget-busting legislation." In its estimate, the Congressional Budget Office said that under current law the deficit would decline steadily, to \$84.8 billion in the fiscal year 1992. It projected deficits of \$162.2 billion in 1989, \$133.8 billion in 1990 and \$109.2 billion in 1991. The office assumes that the economy will continue growing in this period, so it predicts the deficit will shrink from 4 percent of the value of all goods and services the United States produces this year to 1.4 percent of this gross national product in 1992 if current law is not changed. In his letter, Mr. Penner said the new estimates of government spending "increase the projected deficits substantially" beyond the levels anticipated just a few months ago. One factor, he said, is that federal agencies will be providing more aid to troubled financial institutions. Spending for this purpose by the Federal Deposit Insurance Corp. and the Federal Savings and Loan Insurance Corp. is estimated to total \$6 billion this year, or \$42 billion more than the budget office assumed in August. In addition, Mr. Penner said the grim outlook for U.S. agricultural exports was expected to "increase outlays for farm price supports by \$3 billion in 1987 and about \$6 billion per year in the 1988-1991 period," beyond previous estimates. Spending on Medicare and Medicaid, the health programs for the elderly and the poor, "exceeded expectations" in 1986, and "this growth is expected to continue," he said in the letter. Aides to Republican members of Congress observed that military spending was growing more slowly than the budget as a whole, according to the new projections. The report by the Congressional Budget Office shows that under current law total spending would grow 6 percent, to \$1,069.4 billion in the fiscal year 1988, while military outlays would grow 3.7 percent, to \$289.9 billion. By contrast, according to the report, spending on government benefit programs would increase 6.4 percent, to \$512 billion in 1988 under current law. Other nonmilitary spending would increase 11.4 percent, to \$185.4 billion in 1988 under current law, the office said. This category of spending includes federal law enforcement, transportation programs, foreign aid, job training and the work of dozens of other government agencies.

U.S. Split on Plan to Monitor Soviet Tests

By Michael R. Gordon
New York Times Service
WASHINGTON — A sharp debate has developed among government experts over a tentative plan by the Reagan administration to improve the monitoring of Soviet compliance with two nuclear test limitation treaties, according to classified government documents and administration officials. The treaties limit the size of underground nuclear explosions. Experts from the Central Intelligence Agency have complained that the plan is "deficient." Energy Department officials criticized the plan because they believed it would allow Soviet experts to gather sensitive intelligence information. Other government officials say the criticisms are exaggerations. The debate has emerged as administration officials prepare to testify before the Senate Foreign Relations Committee about the ideas for enhancing America's ability to monitor Soviet adherence to the treaties. At issue are the 1974 Threshold Test Ban Treaty, which limits underground tests to yields of no more than 150 kilotons, and a companion 1976 agreement that extends this limit to peaceful underground explosions for such purposes as construction. In October, President Ronald Reagan said he would ask the Senate to approve the two treaties this year. He also said, however, that the treaties would not take effect until the Soviet Union agreed to new verification measures. In return, the House of Representatives dropped its effort to legislate a ban on all but the smaller nuclear tests. But now that the treaties are to be taken up by Congress, strong differences have emerged among government experts. At the heart of the debate is a monitoring approach proposed by Mr. Reagan called Cortex. Under this approach, a cable would be inserted into the ground to take measurements of a nuclear blast. Mr. Reagan has invited Soviet experts to visit the American test site and examine the Cortex system. American experts have proposed measures based on this approach in private talks with Soviet experts in Geneva. Specifically, the Americans have suggested the adoption of two measures to improve monitoring of a test site. One would require each side to notify the other in advance of all tests of 75 kilotons or more. The United States would be allowed to take direct measurements

of all tests above this 75-kiloton threshold using the Cortex system. The Soviet Union could use this system or another system, as long as it did not present more opportunities for gathering intelligence information than Cortex. A kiloton is the explosive force of 1,000 tons of TNT. The second measure would state that if one side did not conduct tests of 75 kilotons or greater over six months, the other could monitor the largest test it conducted in a specified area within its test range in this period. But the CIA has criticized this approach as technically flawed. The administration's current monitoring plan "is deficient in that it is not a comprehensive, technically defensible approach to maximizing the acquisition of data relevant to verification," says one CIA paper, dated Dec. 4, which circulated outside the agency. To improve monitoring, the CIA has argued that Cortex be supplemented by other measures that would also improve seismic monitoring abilities. The CIA paper suggests that the failure to make such improvements in seismic and other monitoring abilities would lead to uncertainties in applying the Cortex system. For example, the CIA paper asserts that the United States may not be able to tell for sure whether the Soviet Union is, in fact, notifying it of all tests that are 75 kilotons or greater so that Cortex could be used to monitor them. Energy Department officials are said to be concerned that the administration's plan would allow the Russians to gather sensitive information about some American tests, including research on Mr. Reagan's space-based missile defense plan. The Energy Department oversees the U.S. nuclear testing program. But other government experts strongly dispute these criticisms. They said the CIA was seeking more information about Soviet testing than the United States needed to build confidence that the treaties were being observed. "There is a delicate balance to be struck on the question of verification," said one government critic of the CIA view. "And what you are seeing are weights being piled up on one side." This official added that the new monitoring measures suggested by CIA officials represented "a lot more than we hope to get from the Russians or really need."

French Unions Seek to Expand Public Sector Strikes

PARIS — Prime Minister Jacques Chirac, trying to limit the damage from an 18-day rail strike, faces a new challenge this week as France's biggest trade union pushes to extend the walkout to all public workers. The Communist-led General Confederation of Labor, or CGT, plans one-day strikes Monday, Tuesday and Wednesday to protest the government's calling on unions for public workers. The walkouts will involve navy dockyards, the Paris transport system and the electricity and gas industries. The state-owned railroad, SNCF, reported increased service Sunday as police continued to remove pickets blocking rail lines, and some strikers returned to work. A spokesman said that more than 40 percent of long-distance trains were running compared with 25 percent Saturday. He said that

workers at 11 of 94 depots had voted to return to their posts. The SNCF called in the police to remove strikers' pickets from rail lines in Paris and in more than 18 other cities on Saturday. Robert Pandrand, the security minister, said that the police would continue to intervene to maintain minimum service and to allow workers to return. Union spokesmen denied that support for the strike was crumbling. They said major depots had voted to continue the stoppage until management agrees to discuss their demands. The CGT and the French Democratic Confederation of Labor, or CFTD, said Saturday that the strike would continue despite government assertions of a "thaw" in militancy. The strike, which began Dec. 18, is France's longest since 1968.

Authorities organized special bus and air services as tens of thousands of travelers and Christmas and New Year holidays began returning home for the school term on Tuesday. In a separate dispute, seamen who have been on strike since Dec. 8 appeared ready to end their stoppage after an accord between the CGT and the government on plans to restructure the French fleet. Mr. Chirac, who has avoided taking a public stance on the rail strike, is to break his silence on Tuesday in a radio interview. But the leftist weekly Le Nouvel Observateur quoted him as saying privately that he would rather resign than give in to the train drivers' demands. Mr. Chirac withdrew a university restructuring bill last month after street protests by students. Commentators say his government would suffer a major blow to its credibility if it made another retreat. Management has yielded to demands that it withdraw a pay scale giving greater weight to merit payments but it has refused to discuss raising salaries beyond 1.7 percent or to pay the strikers during the stoppage. Mr. Chirac wants to limit raises to public workers to 2 percent this year to control inflation. Le Nouvel Observateur said that Mr. Chirac apparently believed that President François Mitterrand, a Socialist often at odds with his rightist prime minister, would be unable to find a replacement acceptable to the conservative-dominated Parliament. Fears that Mr. Chirac was losing control of the unions and would be forced to concede on the pay issue led the government to raise interest rates twice last week to defend the franc. Pierre Mauroy, a former Socialist prime minister, said during the weekend that Mr. Chirac's policies have led France "from five years of industrial peace to a situation of social explosion." "The government must abandon the idea of organizing France like trains — with a first class and a second class," he said.

David Maysles, Filmmaker, Dies at 54

NEW YORK — David Maysles, 54, a documentary filmmaker who, with his brother, Albert, was credited with being one of the founders of the documentary genre known as cinema vérité, died here Saturday after a stroke. Mr. Maysles and his brother, who survives him, used the technological advance of a camera small and light enough to fit on a cameraman's shoulder to capture the drama of daily experience. Their films, a form they called "direct cinema" and described as the cinematic equivalent of the nonfiction novel, constituted a major departure from the more traditional documentary technique of running narration and static face-to-face interviews. The brothers' best-known documentaries were "Salesman," which chronicled the adventures of four Bible salesmen (1969); "Gimme Shelter," about a tour by the Rolling Stones rock group (1970); and

"Grey Gardens," about Edith and Edie Bouvier Beale, reclusive aunt and cousin of Jacqueline Kennedy Onassis (1975). John Bartlow Martin, 71, Writer and Diplomat HIGHLAND PARK, Illinois (UPI) — John Bartlow Martin, 71, a writer who served as ambassador to the Dominican Republic under President John F. Kennedy and as special presidential envoy there under Lyndon B. Johnson, died here Saturday of undisclosed causes. Mr. Martin started his career in Chicago as a "true crime" writer. His books include "Overtaken by Events," which documented the revolution in the Dominican Republic, and "My Life in Crime." His most recent book was "It Seems Like Only Yesterday: Memoirs of Writing, Presidential Politics, and the Diplomatic Life," published last year. ■ Other deaths Dr. Ramon Castroviejo, 82, an ophthalmologist who in a career spent mostly in the United States was a pioneer of cornea transplants, Thursday of heart failure in Madrid. W.R. Poage, 87, a Democrat who represented central Texas's 11th Congressional District for 42 years until retiring in 1978, Saturday of heart failure after emergency surgery in Temple, Texas. Donald Fleming, 81, a Conservative who was Canada's finance minister in the late 1950s, Wednesday after a stroke in Toronto. Richard Dougherty, 65, novelist and former writer for the Los Angeles Times and New York Herald Tribune, and press secretary for Senator George S. McGovern's 1972 presidential campaign, Tuesday of lung cancer in Long Island, New York.



Shamir Says Islamic Meeting Won't Break Deadlock to Peace
By Patrick E. Tyler
New York Times Service
JERUSALEM — Prime Minister Yitzhak Shamir, reflecting a mostly unspoken sentiment among some Middle East leaders, said that the Islamic Conference Organization meeting in Kuwait later this month can do little to break the deadlock in the Middle East peace process. His assessment not only reflects his conservative political base, which insists on direct negotiations between Israel and its neighbors, beginning with Jordan, but also reflects the general level of pessimism in Western diplomatic missions in some Arab capitals. The strongest push to achieve some breakthrough at the conference has come from President Hosni Mubarak of Egypt, who, along with King Fahd of Saudi Arabia, would like to mend the rift between King Hussein of Jordan and the Palestine Liberation Organization chairman, Yasser Arafat. "Look for Arafat to meet with Hussein at the request of King Fahd" during the conference, a U.S. diplomat in the Middle East said. Hussein recently traveled to Riyadh, where he conferred with Fahd. Some officials, who allow that a meeting between Hussein and Mr. Arafat might be one of the highlights of the conference, still believe strongly — based on private statements by the Jordanian monarch — that Hussein is not ready to reconcile with the PLO. "I don't think you're going to see it anytime soon," a Western diplomat said in Amman. Some Israeli government officials hope that a failure to make any progress at the conference will improve the prospects that "something could be worked out without Arafat," as an Israeli official put it, in discussions between Israel and the moderate Arab states. "The whole business is very shaky," said an Israeli Foreign Ministry official. Mr. Mubarak made a private trip to Jordan last week to discuss preparations for the conference, and diplomatic sources in Amman said it was certain that much of the session was devoted to trying to persuade Hussein to overcome his disenchantment with Mr. Arafat. Mr. Mubarak and Hussein have reached one point of agreement. Both are strongly urging U.S. officials to accept an international Middle East peace conference that would be attended by all regional parties and by both superpowers. The United States and Israel have objected to Soviet participation in such a conference. Hussein's trip to Riyadh was connected with Saudi Arabia's pending budgetary assistance to Jordan. Jordan needs about \$250 million to meet its obligations in the coming year. Both the United States and Kuwait have committed \$50 million each to Hussein's budget.

Israel Questions Rabbi on Anti-Arab Remark
JERUSALEM — The police questioned Rabbi Meir Kahane, founder of the militant Jewish Defense League, on Sunday on suspicion of inciting rebellion by suggesting that Jews form an anti-Arab terrorist underground. Rabbi Kahane, a member of the Israeli parliament, raised the idea in a television interview more than two weeks ago after police raided two Jewish religious schools in search of illegal arms. "There should only be another Jewish underground," Mr. Kahane said in the interview. Members of an underground group, which was not linked to the rabbi, were imprisoned last year for plotting and carrying out murders and terrorist attacks. Police raided the schools after students damaged Arab property and vowed to avenge the murder of a Jewish student who was stabbed to death by three Arabs. A spokesman for Rabbi Kahane said Sunday that an Israeli police official questioned the rabbi at the Jerusalem office of his extremist Kach movement. As a member of the Knesset, the rabbi normally would be immune from prosecution.



Cardinal John J. O'Connor, flanked by clerics, prays under guard at the Western Wall.

Cardinal Meets Israeli President

JERUSALEM — Cardinal John J. O'Connor, the archbishop of New York, met Sunday with President Chaim Herzog under a formula devised to overcome a Vatican ban on the meeting. The Roman Catholic archbishop's five-day visit to Israel has been overshadowed by a dispute that erupted last week when the Vatican ordered Cardinal O'Connor to cancel meetings he had scheduled at the offices of Mr. Herzog, Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres. The Vatican has no formal ties with Israel and refuses to recognize Israel's claim to the disputed city of Jerusalem as its capital. Israeli officials called the meeting Sunday a private visit to Mr. Herzog at his residence, although the residence is also the president's office. Church sources said that if Cardinal O'Connor officially had met Mr. Herzog at his office, it might have been misconstrued as a change of Vatican policy. "Such an arrangement could only come from the meeting of Talmudic hair-splitting and Jesuit dialectics," said an Israeli official involved in the visit.

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HANAE MORI
BOUTIQUE
SALES
FROM MONDAY JANUARY 5th
TO SATURDAY, JANUARY 10th
17/19 Avenue Montaigne 75008 Paris - Tel.: 47 23 52 03
62, Faubourg Saint-Honoré 75008 Paris - Tel.: 47 42 78 78

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-423-1277. Prices may vary according to market conditions and other factors.

Dec. 31

Dollar Straights

Table of Dollar Straights bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

United Kingdom

Table of United Kingdom bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

United States

Table of United States bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

Supranational

Table of Supranational bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

Supranational

Table of Supranational bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

American Exchange Options

Table of American Exchange Options, including columns for Option & price, Calls, and Puts, with various stock symbols.

Option & price

Table of Option & price, including columns for Option & price, Calls, and Puts, with various stock symbols.

Option & price

Table of Option & price, including columns for Option & price, Calls, and Puts, with various stock symbols.

Non-Eurobonds

Table of Non-Eurobonds, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

Chicago Exchange Options

Table of Chicago Exchange Options, including columns for Option & price, Calls, and Puts, with various stock symbols.

Option & price

Table of Option & price, including columns for Option & price, Calls, and Puts, with various stock symbols.

Option & price

Table of Option & price, including columns for Option & price, Calls, and Puts, with various stock symbols.

Dollar Zero Coupons

Table of Dollar Zero Coupons, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

DM Zero Coupons

Table of DM Zero Coupons, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

ECU Straights

Table of ECU Straights, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

DM Straights

Table of DM Straights, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australasia, Canada, France, Japan, etc.

WestLB advertisement: Fixed Income and Equities Trading - for dealing prices call. Includes contact information for WestLB International in various cities like Düsseldorf, London, Luxembourg, Hong Kong, and New York.

Who ever said that the business world is dull?



Abu Dhabi



Amsterdam



Atlanta



Bahrain



Bangkok



Bombay



Brussels



Chittagong



Cologne



Colombo



Dhaka



Geneva



Gibraltar



Hamburg



Helsinki



Hong Kong



Istanbul



Jakarta



Karachi



Katmandu



Kuala Lumpur



Lausanne



London



Luxemburg



Macau



Madrid



Manila



Milan



Montreal



Nagoya



New York



Oslo



Paris



Peking



Port Moresby



Roma



Sana'a



Shanghai



Stockholm



Sydney



Tokyo



Wellington *

1987. A whole year of opportunities.



BANQUE INDOSUEZ

* And in 66 other major cities around the world.

NASDAQ National Market

OTC Consolidated trading for week ended Friday, Jan. 2

Table with multiple columns showing stock market data including Sales, High, Low, Close, and Net Change for various companies and sectors.

This announcement appears as a matter of record only



BANK FOR FOREIGN TRADE OF THE U.S.S.R.

USD 300,000,000

EUROCURRENCY LOAN FACILITY

Lead managers

- List of lead managers including Banque Nationale de Paris, Creditanstalt-Bankverein, Kansallis-Osake-Pankki, etc.

Co-Lead managers

- List of co-lead managers including Kyowa Bank Nederland N.V., The Tokai Bank, Limited

Managers

- List of managers including The Bank of Fukuoka, Ltd., Credit Agricole, Credit Lyonnais, etc.

Co-managers

- List of co-managers including Compagnie Luxembourgeoise de la Dresdner Bank AG, Banco di Roma International SA, etc.

Participants

- List of participants including Banque Cantonale Vaudoise, Banque Vernes et Commerciale de Paris, etc.

Agent

BANQUE NATIONALE DE PARIS

DECEMBER 5, 1986



البنك الوطني الجزائري BANQUE NATIONALE D'ALGERIE

U.S. \$ 250,000,000 Medium Term Loan

Lead Managers

- List of lead managers including ALUBAF Banking Group, Arab Banking Corporation (ABC), etc.

Managers

- List of managers including Indosuez Group, Société Générale, The Daiwa Bank, Limited, etc.

Co-managers

- List of co-managers including Union of Banques Arabes et Françaises - U.B.A.F., Generale Bank, etc.

Participants

- List of participants including Al Bank Al Saudi Al Fransi (The Saudi French Bank), Associated Japanese Bank (International) Limited, etc.

Agent

BANQUE NATIONALE DE PARIS

This announcement appears as a matter of record only

19 December 1986

MONDAY, JANUARY 5, 1987

Page 9

EUROBONDS

'Debt Instrument' Issue Stands Out in Dull Week

LONDON — Japan's "Golden Week" holiday, the New Year and a weakening dollar contributed to a quiet Eurobond market last week.

But Morgan Stanley International, Deutsche Bank and Nomura International did come to the primary market with new issues.

It has set up a company called Splits, or Separate Pass-Through Labor Interest Transferable Securities Ltd., whose sole assets are British FRNs.

If two other issues are any guide, Japanese needs will be dominating the market's shape.

The second tranche involves the coupon flows from the underlying FRN assets: a floating coupon issue that pays 6 1/2 percent to March 24, 1987, the recent fixing for the FRNs.

Deutsche Bank's 900 million Deutsche mark offering was brought to the market in two tranches: 600 million DM of 5 1/2 percent, five-year bonds priced at 101 to yield 5.27 percent.

THE WEST GERMAN government's new 4 billion DM, 10-year issue of loan stock, fixed with a coupon of 6 1/4 percent and an issue price of 100 1/4 to yield 6.09 percent.

The 5 1/2-percent bonds were just outside their 1 1/2-percent selling concession and the 6 1/4-percent bonds comfortably inside their 1 1/2-percent selling concession.

Swiss demand especially is expected to be good, and payment is not due until Jan. 30.

If the two small Eurobond issues launched last week with Nomura International as lead manager are any guide, the needs of specific Japanese investors or investor groups will come to dominate the shape of the Euromarkets this year.

Morgan Guaranty's was a "plain vanilla," 16 billion yen dual-currency issue redeemable in U.S. dollars after five years at \$60,423 for each 10 million yen bond.

Lavoro's smaller 6 billion yen issue of 10-year notes was a hybrid that is new to the public Eurobond market.

The issue carries a 4.7-percent coupon for the first five years and a 7 1/2-percent coupon afterward.

"We're ending up the year with a final set of specialized deals targeted to specific investors," said Andrew Pelling, a syndicate manager at Nomura International.

See EURO BONDS, Page 11

Japan May End Quota

Paper Cites Limits On U.S. Oranges

TOKYO — The government plans to lift restrictions on the import of American-grown oranges in 1988, a move that could eliminate a major source of trade friction with the United States.

The newspaper said, however, that Japan was not considering lifting quotas on U.S. beef and rice.

Under pressure from the U.S. citrus industry, the U.S. government has demanded that Japan eliminate quotas.

Japan's imports of U.S. oranges in 1985 totaled 108,000 tons, worth \$73 million, according to the U.S. Department of Agriculture.

Imports for the 1986 fiscal year are limited to 115,000 tons. That could double after deregulation, the newspaper said.

The measure is likely to touch off angry protests from Japanese growers, whose industry has long been protected by the quotas.

Also Sunday, in an interview with another daily, the Yomiuri Shimbun, the U.S. trade representative, Clayton K. Yeutter, said that a strengthened "protectionist thrust" in the new Congress made new trade legislation likely in the latter half of this year.

"If Japan is to continue to be a major exporter," he said, "it is to grow and prosper and have a rising standard of living for years to come, it must also be an importer."

Chicago Renews Second-City Status

Investment Banks Moving Closer to Their Customers

By Steven Greenhouse



The Chicago Board of Trade building.

CHICAGO — Because American corporations are more willing to switch from one investment banking firm to another, the investment bankers are scrambling to find new customers and keep old ones by setting up shop far from the canyons of Wall Street.

Nowhere has this been more true than in Chicago, which in recent years has firmly established itself as the nation's second city in investment banking.

By some estimates, the number of investment banking professionals in Chicago has soared to 250, twice what it was in 1980 but just a fraction of the total in New York.

"The firms are trying to move investment bankers closer to their customers, rather than have all their people in New York," said Puzin Long, who follows the securities industry for Lipper Analytical Services.

"That makes it easier for them to develop relationships, to get out to the golf course with a potential client, to go for a drink after work," he said.

This decentralization has gathered momentum as the traditional ties between corporation and investment banker have weakened.

Companies are turning increasingly to whichever firm has developed the best new financial products to meet their needs.

"I used to be that to help your customers you had to be in New York, because that was the place

to access the capital markets," said Leonard S. Caronia, a senior vice president in First Chicago Corp.'s investment banking operations.

"But today," he said, "you can access the markets from anywhere, so what drives the investment

See CHICAGO, Page 11

138 U.S. Banks Failed in 1986, Setting a Record

WASHINGTON — A total of 138 U.S. banks, most of them in economically troubled oil and farm states, collapsed during 1986, a record since the Depression, according to federal regulators.

In addition, 21 savings and loans associations closed in 1986, also a post-Depression record.

The Federal Deposit Insurance Corp., which insures deposits at federal banks, said that it considers nearly one of every 10 American banks to be in some kind of financial trouble.

The agency said that as of mid-December 1,484 banks were on its list of troubled institutions needing special monitoring out of the 14,948 banks whose deposits it insures.

During 1986, Texas had 26 bank failures, the most of any state, followed by 16 in Oklahoma, 14 in Kansas, 10 in Iowa and 9 in Missouri.

California and Louisiana had 8 failures each; Colorado and Wyoming 7 each; and Nebraska, six.

Bank collapses have surged in the past six years. The 138 failures in 1986 compared with 120 in 1985; 79 in 1984; 48 in 1983; 42 in 1982; and 10 in 1981.

The 1986 figure also was the greatest number of bank failures since the FDIC was created in 1934.

During the late years of the Great Depression, from 1934 to 1939, bank failures averaged 67 a year, or half the current rate.

Still, the figure was far below the early years of the Depression. An average of 2,277 banks failed each year from 1930 to 1933, with 4,000 failures in 1933 itself, according to the FDIC.

The Federal Home Loan Bank Board said that besides the 21 savings and loan associations closed in 1986, 43 were ordered to change management and 22 were forced into mergers with stronger partners.

In addition, about 250 thrifts out of about 3,250 whose deposits are insured by the Federal Savings and Loan Insurance Corp. are in trouble, said a bank board spokesman, Pat McKeivley.

"About 79 percent of savings and loans are prosperous and will continue to be so," he said. "But we have some real dandies in the other 21 percent."

The 21 closures compares with 10 in 1985, nine in 1984 and six in 1983.

Mr. McKeivley said most of the thrifts in serious trouble had moved away from their traditional role of lending home mortgage money and into more questionable real-estate loans for development and construction.

The two agencies insure deposits up to \$100,000 in participating banks and savings and loan associations.

EMS to Revalue Mark Soon, Paper Reports

BONN — The Deutsche mark will soon be revalued within the European Monetary System, possibly before West German elections on Jan. 25, the newspaper Die Welt said.

Financial analysts in Frankfurt predicted Saturday that the Deutsche mark would be revalued by 3 to 4 percent when currency values in the EMS are realigned, the newspaper said Saturday.

The Dutch guilder also will be revalued shortly, Die Welt said.

Experts had ruled out an adjustment in the Deutsche mark's parity before the elections because of the criticism anticipated from local businessmen, who complained of a decline in the competitiveness of West German products after the mark's previous revaluation in April.

Die Welt said that foreign exchange traders were predicting that the government would move before the elections in the belief that criticism of the measure would emerge only after the voting.

Boesky Case Is Bittersweet for SEC

By Nathaniel C. Nash

WASHINGTON — One day last summer, Gary G. Lynch, head of the Securities and Exchange Commission's enforcement division, snapped his fingers, turned briskly from the elevator bank on the fourth-floor of the commission's main building and strode down the hall with a distinct bounce in his step.

"We've got some big cases coming," the young lawyer said. "We're going to look really good in a couple of months."

Mr. Lynch's optimism was justified. His division had just broken the Dennis B. Levine \$12.6 million insider-trading case.

Mr. Lynch's optimism was justified. His division had just broken the Dennis B. Levine \$12.6 million insider-trading case.

counts of illegal trading, was telling what he knew about other Wall Street operators. And those confessions had led the commission directly to Ivan F. Boesky, one of the most flamboyant and persistent stock speculators, who would be charged Nov. 14 with the largest insider-trading scheme on record.

In settlement, Mr. Boesky agreed to pay \$100 million in fines and illegal profits for trading on confidential information on planned corporate mergers. In return, the government agreed to bring only one felony charge against him.

Now, six weeks after the Boesky case became public knowledge, Mr. Lynch's mood, and that of the enforcement division, is less than buoyant. A case that was expected to bring the highest accolades has brought with it a raw edge.

"I don't understand," Mr. Lynch said recently. "After the first week or two, everything began to turn negative — the press reports, the reactions from Congress. And here we had given them the most important insider-trading case in our history. We had delivered Ivan Boesky."

Mr. Lynch, who is in his 30s, was tasting the bittersweet fruit of public service.

The Boesky case has brought high praise to the SEC from some of its most persistent critics, like John D. Dingell, a Democrat of Michigan, who heads the House Energy and Commerce Committee.

Wall Street traders admit to being shell-shocked and intimidated

See SEC, Page 11

A Decade After Bailout, Britain Is No. 2 Creditor

By Steve Lohr

LONDON — Britain, a nation that just a decade ago went to the International Monetary Fund for a bailout loan, has become the world's second-largest international creditor, trailing only Japan.

At the end of 1986, the country's net overseas assets — the amount that foreigners owe Britain, minus what Britain owes them — was estimated at roughly \$120 billion.

That figure represents a more than sixfold increase since 1979, when the government of Prime Minister Margaret Thatcher took office, and compares with less than \$5 billion a decade ago.

The buildup of overseas wealth represents a major structural change in the British economy that will buoy its performance for years.

The mountain of investments abroad is not a cure-all for some of Britain's persistent economic ills, such as high unemployment and regional poverty. But already, the benefits are evident.

Britain now has the largest surplus of any nation in "invisibles" trade: service payments, interest, profits and dividends.

According to a December report by the Organization for Economic Cooperation and Development, Britain had a surplus of \$11.5 billion last year on invisible transactions, nearly double its 1983 surplus.

It is increased income from Britain's overseas investments, plus earnings from London's booming financial district, that have swelled the invisibles surplus.

Britain's North Sea oil is the principal cause of the surge in overseas assets. The Conservative government eliminated foreign exchange controls in 1979, just as North Sea production was rising, allowing British investors to pursue high-yield opportunities abroad.

The rapidly growing surplus in invisibles is particularly important to Britain now because North Sea production has peaked and oil prices, while rising a bit recently, are far less than a year ago.

It also is crucial because in non-oil visible trade — goods and commodities — the nation has posted an expanding deficit in recent years. The increase in invisibles earnings offset weaknesses elsewhere.

See BRITAIN, Page 11

Howe, in Talks With Shultz, Will Try to Avert Trade War

United Press International

LONDON — Foreign Secretary Sir Geoffrey Howe will call for a negotiated solution to forestall an all-out U.S.-European trade war when he meets this week with the U.S. secretary of state, George P. Shultz, according to a Foreign Office spokesman.

The spokesman said Saturday that Sir Geoffrey would hold talks with Mr. Shultz during a visit to Bermuda on Tuesday and Wednesday.

He said Sir Geoffrey would try to forestall U.S. tariffs of 200 percent on some European Community exports that were announced Wednesday.

The tariffs, due to take effect at the end of January, are designed as retaliation for tariff increases on U.S. grain feed sales to Spain.

In Bonn, Die Welt newspaper said that Foreign Minister Hans-Dietrich Genscher had been in touch with the U.S. ambassador, Richard R. Burt, and Mr. Shultz to try to head off a trade war.

The Foreign Office spokesman said that in their meeting, which was planned several months ago, Sir Geoffrey and Mr. Shultz would "clearly" discuss President Ronald Reagan's announcement of the 200-percent tariffs on goods as gin,

brandy, white wine, cheese, carrots, olives and canned ham from the 12-nation EC. The tariffs are currently 15 percent to 20 percent.

A government source said: "The British government is concerned that a major trade war between the community and the United States is looming and such a development could affect trans-Atlantic relations."

Noting that there is a month before the tariffs take effect, the source said, "Obviously the idea to delay their implementation was designed to leave a month to find a solution."

In another report, Neue Osnabrücker Zeitung newspaper reported Saturday that West Germany's economics minister, Martin Bangemann, said he believed the United States was bluffing with the threat of a trade war.

"Protectionism is all the rage in the United States at the moment," Mr. Bangemann reportedly said.

He said he did not believe the United States planned to erect new barriers to trade with the EC, which is struggling to reduce farm subsidies and agricultural surpluses.

Mr. Bangemann said the United States was still basically for free trade and that the EC should negotiate a way out of the current situation.

Last Week's Markets

All figures are as of close of trading Friday

Table with columns for Stock Indices (DJ Index, NYSE, FTSE 100, Nikkei 225, etc.) and Money Rates (Discount rate, Federal funds rate, etc.).

Currency Rates

Jan. 2

Table with columns for Currency per U.S. Dollar, showing rates for various currencies like British Pound, Japanese Yen, etc.

To Our Readers

Because of the holidays, Tokyo and Zurich are missing from our weekly roundup of activity on world stock exchanges.

Advertisement for MINT Fund featuring a piggy bank image and text: 'One of the most successful futures funds in the world', 'MINT Fund +129% over the last 3 years', 'Now the guaranteed return of your capital creates an investment opportunity you can't afford to ignore', 'MINT Guaranteed Shares JANUARY 1987', 'Mint Guaranteed Ltd. offers the potential rewards of trading in futures together with a guaranteed return of your invested capital.'

New International Bond Issues

Compiled by Laurence Desvillettes

| Issuer | Amount (millions) | Mat. | Coups. % | Price | Price end week | Terms |
|--|-------------------|------|----------|---------|----------------|---|
| FLOATING RATE NOTES | | | | | | |
| Separate Pass-Through Labor Interest Transferable Securities | \$150 | 1991 | 3/4 | 30 1/2 | — | Below 6-month Libid. No redemption of maturity. Proceeds \$44.6 million. Fees 1 1/2%. Denominations \$10,000. |
| Shawcross Lehman CMO | \$112.48 | 2018 | 3/4 | 100 | — | Over 3-month Libor. Callable on any interest payment date. Registered notes. Average life 8.7 years. Fees 0.50%. Denominations \$10,000. |
| FIXED-COUPON | | | | | | |
| Separate Pass-Through Labor Interest Transferable Securities | \$150 | 1991 | zero | 72 1/2 | — | Noncallable. Redeemable at 99% of maturity. Proceeds \$106.6 million. Fees 1 1/2%. Denominations \$10,000. |
| Deutsche Bank Finance | DM 600 | 1992 | 5 1/2 | 101 | 99.65 | Noncallable. Fees 1 1/2%. |
| Deutsche Bank Finance | DM 300 | 1995 | 6 1/2 | 100 1/2 | 99.70 | Noncallable. Fees 1 1/2%. |
| Deutsche Bank Finance | £ 100 | 1992 | 10 1/2 | 101 1/2 | 100.00 | Noncallable. Fees 1 1/2%. |
| Kreditbank (London) | £ 50 | 1992 | 10 1/2 | 101 1/2 | 100.00 | Noncallable. Fees 1 1/2%. |
| Denmark | cs 150 | 1992 | 9 1/2 | 101 1/2 | — | Noncallable. Fees 1 1/2%. |
| Banca Nazionale del Lavoro Int'l | ¥ 6,000 | 1997 | 4.70 | 101 1/2 | — | Coupon will be 4.70% in the first 5 years, then 7 1/2%. At maturity, 60% will be redeemed in yen and balance in U.S. dollars at a fixed exchange rate of 163 yen per dollar. Noncallable. Fees 2%. Denominations 100 million yen. |
| Morgan Guaranty Trust (Nassau) | ¥ 14,000 | 1992 | 7 | 101 1/2 | — | Redeemable at maturity in U.S. dollars at a fixed exchange rate of 165.50 yen per dollar. Noncallable. Fees 1 1/2%. Denominations 10 million yen. |

Rate Decline, Hong Kong's Economy Faces a Testing Decade

By Michael Quint
New York Times Service

NEW YORK — Spurred by a sharp drop in short-term interest rates and some economic statistics that were weaker than expected, prices of Treasury notes and bond rose modestly late last week.

The Friday advance recouped some of the declines that came earlier last week.

Financial analysts expected that the upward pressure on rates would

HONG KONG — Hong Kong has overcome the initial shock of an uncertain political future but faces critical tests in the years before the transfer of power to China in 1997, according to business and economic observers.

They said that increasing debate over political reform in Hong Kong could harm the British territory's economy and lead to slower growth in the decade before the hand-over.

Under an accord signed in 1984, Hong Kong will revert to Chinese rule on July 1, 1997, but will retain considerable economic and civil autonomy for another 50 years.

The accord, reached after two years of often bitter wrangling, helped hard-hit property prices and the Hang Seng index, the main stock market indicator, to recover. The index surged to a new high of 2,568.30 on Wednesday, after falling as low as 746 in July 1984.

But Hong Kong faces some tough questions, such as how it will select its legislature, now filled by appointment and indirect election.

Reforms are viewed warily by China's Communist rulers, who have warned against rapid change and by the territory's businessmen.

Lord Kadoorie, chairman of the local utility Chui Light & Power Co., told shareholders recently, "The next few years are critical for our future development."

"I urge those who advocate rapid and significant change to our established systems to consider the divisive effect they have on our people at a time when unity is so essential."

Already there are signs that local

business is taking out insurance by diversifying overseas.

Hutchison Whampoa Ltd., the property and trading concern, and an affiliate agreed recently to spend more than 2.7 billion Hong Kong dollars (\$347 million) on a major stake in Canada's Husky Oil Ltd. and also bought a 4.9-percent stake in the British publishing and energy company Pearson PLC.

Foreign companies have moved in to fill some of the gaps.

For example, an Australian entrepreneur, Alan Bond, agreed to spend 1.4 billion dollars in October to buy prime residential property from a leading local property company, Hong Kong Land Co.

"We will see a sort of musical

chairs, with local capitalists liquidating assets as a form of insurance," said Nicholas Kwan, senior analyst at consultants Business International Asia/Pacific Ltd.

The export-led economy recorded growth in gross domestic product, the total output of goods and services minus income from operations abroad, of about 6 percent last year.

But growth, though likely to be steady, may be checked by the loss of some investment capital.

John Greenwood, an economist and chairman of investment firm GT Management (Asia) Ltd., said, "Clearly there is some risk in investing in Hong Kong."

The main consequence of lost

investment, he said, would be growth "slightly lower than it could be."

Economists said that while the changes ahead present difficult challenges, there are also opportunities.

China has already become Hong Kong's second-largest export market after the United States and Beijing's economic modernization has created demand for capital and technology, much of it coming from the territory.

But economists say it is too early to tell whether such gains will offset expected losses.

Mr. Kwan said: "We have another two years of strong growth, but it's still a big question mark for three to five years later."

U.S. CREDIT MARKETS

quickly subside once the credit markets got past many year-end disruptions.

Efforts of banks and other institutions to present more favorable balance sheets as of Dec. 31 caused unusual flows of funds.

In addition, bankers said, there was extra upward pressure on rates because of the rush to complete sales of assets and other transactions before the U.S. new tax bill took effect Jan. 1.

But on Friday, the upward pressure on rates subsided quickly. The overnight rate for bank loans in the federal funds market fell to about 6.375 percent from 16.17 percent on Tuesday and 14.35 percent on Wednesday.

Other short-term rates also declined. Thirty-day commercial paper fell from about 7.70 percent on Wednesday to 6.15 percent Friday.

The decline in short-term interest rates was widely expected, but it came nonetheless as a relief to securities dealers that hold large inventories of recently auctioned Treasury notes due in two, four and seven years.

The rate decline reduced the overnight cost of financing government securities from as high as 18 percent on Wednesday to 6.125 percent Friday.

The cost of financing inventories of other securities also declined. Leading banks reduced their broker loan rates to 7.25 percent or 7.5 percent Friday from 17 percent or 18 percent on Wednesday.

Taiwan to Seek New Markets

TAIPEI — Taiwan, hit by changes in U.S. import policy, will diversify its export markets to Europe, Asia, the Middle East and South America this year, a trade official said Sunday.

Vincent Siew, director of the Board of Foreign Trade, said the government would help businesses with dozens of overseas sales "blitzes" to promote exports.

The Ragan administration said Friday it was ending duty-free status on 290 products from Taiwan and seven other developing countries.

Mr. Siew said Taiwan had the third-largest merchandise-trade surplus with the United States last year, estimated at \$173.6 billion. That would be \$25 billion more than the previous year.

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Genentech Buys Out 2 Units

LOS ANGELES — Genentech Inc., the California biotechnology company, has completed the \$425 million buyout of its two limited research and development partnerships.

The buyout was completed Friday. Investors in the two ventures approved the transactions, despite opposition by two limited partners, in voting that concluded Tuesday.

The limited partners received shares in Genentech, valued at \$85.50 each on the basis of Friday's closing price, in exchange for their holdings.

EUROBONDS: Holiday Week Sees Few New Issues

(Continued from first finance page)

on the dollar appreciating against the yen during the life of both deals.

In the case of the Morgan Guaranty offer, he will be getting a higher-than-usual coupon to help compensate for that risk. The issuers are both swapping their proceeds into floating-rate U.S. dollar funding.

As the Euro market closed for the Christmas holidays, about 15 houses were trading perpetual FRN issues following the debacle in that sector of the market in early December. Prices for perennials have now recovered anywhere from 1 point to 4 points from their lows.

But there is little doubt that there

will be lasting repercussions from last month's problems, which essentially stemmed from worry about the trading liquidity of the nonredeemable issues.

Perennials are now traded only in lots of \$1 million and over spreads of 25 basis points, compared with the spread of 5 to 10 basis points on which dated FRNs usually are traded.

Some of the houses that stopped trading in perennials as prices fell dramatically are complaining that the larger players in the FRN market, such as CSFB, Salomon Brothers, Goldman Sachs, Merrill Lynch and Morgan Guaranty, now refuse to trade perennials with them. "We deal only with those houses that deal with us," is the standard retort

of Eurobond houses that are forging steady two-way markets for the majority of updated issues.

"The first few weeks of the new year will sort out what kind of lasting liquidity there will be in the perpetual market," commented one FRN trader at a large American Eurobond house last week. "But if you don't trade perennials, you're limiting your ability to do retail business."

The importance that professionals and investors alike attach to trading liquidity in FRNs can be judged from the fact that the "jumbo" \$2.5 billion issue of dated FRNs for Britain, launched in the autumn of 1985, is traded only on an exceptional spread of 3 basis points.

CHICAGO: Investment Banks Set Up Shop in Drive to Reach Customers

(Continued from first finance page)

banking business today is being close to your customers."

Industry experts say that since Chicago has such heavyweights as Sears, Roebuck & Co., McDonald's Corp., Amoco Corp., Bestco Cos., the Fritzer family and the options and futures exchanges, it is no surprise that many of New York's investment banking firms have made it their second city.

Analysts say that Boston is in third place in investment banking and Los Angeles in fourth.

"Outside of the New York City area, the largest concentration of major companies is within the 300 miles (485 kilometers) east from Milwaukee through Chicago to Detroit," said E. David Coolidge 3d, head of corporate finance at William Blair & Co., the largest Chicago-based investment banking firm.

Edgar D. Jannotta, Blair's managing partner, said that Chicago is a "great city for investment banking" because it has a stable, broad-based commercial and industrial community. "We don't have the ups and downs of the oil patch in Texas or the high-tech sector on the West Coast," he said.

Merrill Lynch & Co. has expanded its investment banking presence in Chicago to 28 professionals, from 15 in 1985. First Boston Corp. has 22 investment bankers there, up from five in 1982. Kidder, Peabody & Co., Shearson Lehman Brothers Inc., Smith Barney, Harris Upham & Co., and Morgan Stanley Group Inc. also have increased the size of their Chicago staffs.

First National Bank of Chicago, the city's largest bank, is making a major effort to attract investment banking business. It is involved in interest-rate swaps, Eurobond offerings and even some merger and acquisition work.

In addition, New York's commercial banking giants, such as Citicorp, are trying to grab a piece of the Midwest's investment banking pie.

"Geographic proximity enables you to get to your clients and prospects faster and to gain more knowledge of the local market and

SEC: Boesky Insider-Trading Case Has Bittersweet Taste

(Continued from first finance page)

by the dozens of subpoenas issued by the commission's staff.

Traders say rumor-mongering about possible takeover stocks has almost dried up. And, depending on how many other lawsuits against investment bankers, takeover lawyers and stock speculators come out of the Boesky investigation, the commission could exercise this new-found leverage over Wall Street for months to come.

But despite what many see as positive results, some members of Congress, Wall Street lawyers and especially traders, who say they suffered huge losses when the stock market plunged after the Boesky disclosure, question aspects of the government's handling of the case.

Why, some ask, did the commission permit Mr. Boesky to sell stocks and close out other transactions totaling \$1.4 billion to pay off large levels of debt before the set-

U.S. Consumer Rates

| Item | Jan. 2 |
|--------------------------------|---------|
| Passbook Savings | 5.90 % |
| Time Deposit Savings | 5.90 % |
| Fixed Asset 90-day Index | 6.85 % |
| Money Market Funds | 6.85 % |
| Domestic 7-Day Average | 5.80 % |
| Bank Money Market Accounts | 5.44 % |
| Bank Rate Monitor Index | 10.34 % |
| Home Mortgages, FHLB overnight | 10.34 % |

Source: New York Times

Treasury Bonds

| Maturity | Bid | Ask | Yield | Yield |
|----------|---------|---------|-------|-------|
| 31.10.88 | 99 1/2 | 100 | 6.27 | 6.28 |
| 15.8.87 | 99 1/2 | 99 1/2 | 6.45 | 6.43 |
| 30.9.90 | 99 1/2 | 99 1/2 | 6.65 | 6.61 |
| 11.15.91 | 99 1/2 | 99 1/2 | 6.77 | 6.70 |
| 15.10.93 | 99 1/2 | 99 1/2 | 7.02 | 6.94 |
| 15.5.96 | 100 1/2 | 100 1/2 | 7.15 | 7.07 |
| 15.2.98 | 114 1/2 | 114 1/2 | 7.17 | 7.09 |
| 15.5.16 | 100 1/2 | 100 1/2 | 7.43 | 7.34 |

Source: Salomon Inc.

SELECTED U.S./F.T.E. QUOTATIONS

| Company | BID | ASK |
|----------------|--------|--------|
| Bliffert Corp. | 3 1/2 | 4 |
| Chiron | 21 1/4 | 21 1/2 |
| GoodMark Foods | 11 1/2 | 11 1/2 |
| MAG Holdings | 4 1/2 | 5 1/2 |
| Spectradyne | 17 | 17 1/4 |

WITH COMMENTS OF CONTINENTAL AMERICAN

These are indicative prices as of Dec. 31, 1986

U.S. Ended '86 On Slow Note, Purchasers Say

NEW YORK — The U.S. economy ended 1986 with the same pattern of slow growth it began with, corporate purchasing managers said in a survey released Sunday.

The National Association of Purchasing Management said that, as is usual, industrial production and new orders declined in December.

Nineteen percent reported higher production, while 25 percent said output fell. Twenty-two percent reported an increase in new orders, while 23 percent said orders declined.

Employment showed a slight improvement, with 29 percent of the 250 purchasing agents surveyed reporting lower employment, compared with 32 percent in November.

U.S. Ended '86 On Slow Note, Purchasers Say

clampdown is Mr. Lynch, who has repeatedly refused in interviews and before Congress to divulge more than what the commission included in its court papers.

He has even declined to say how many commission lawyers are working on the case, when the Boesky investigation started or how many subpoenas the commission has issued.

"We don't want to give anyone a sense of the dimension of the case," he said.

The cautious approach has surprised even his colleagues. Another top commission official was recently explaining the trading that Mr. Boesky was permitted before the announcement of his settlement.

Interjecting himself, Mr. Lynch told his colleague, "I don't think we want to talk about any of that," and the colleague quickly closed his notebook.

Mr. Lynch was so concerned that word of the Boesky investigation would leak out that, according to congressional sources, he limited the number of commission officials with knowledge of its existence to 20 and the number of enforcement division lawyers on the case to six.

"I still think Gary might be playing this a little too close to his vest," one commission official said. "The lack of information has permitted some big misrepresentations to get out to the public."

Among these reputed misrepresentations is a report, which the SEC denies, that Mr. Boesky videotaped conversations with other investors. Some say the report may have been deliberately floated by possible objects of SEC investigations in an effort to force premature disclosures that might aid in their own defense.

"I think there definitely are people out there in whose interest it is to make Mr. Boesky seem as bad as possible," said Harvey Pitt, one of Mr. Boesky's two lead lawyers.

Mary M. McCue, the commission's director of public affairs, said her office had received hundreds of inquiries the first two weeks after the Boesky disclosures. After the initial flurry died down, she had buttons printed for her modest staff that read "We survived Boesky."

BRITAIN: Status as No. 2 Creditor Offsets Trade Slump

(Continued from first finance page)

where in the economy, helping to sustain growth, improve living standards and buy more imported industrial and consumer goods.

"The invisibles surplus will give Britain time to adjust to its post-oil era," said David Morrison, an economist at Goldman Sachs International Ltd. in London.

The speed of the growth in Britain's invisibles surplus has surprised many economists here. Some have revised their 1987 forecasts to make their current-account predictions less gloomy.

The current account is a broad measure of a nation's trade performance, including merchandise, services and transfer payments.

By the middle of 1986, with oil revenues falling and the merchandise trade deficit widening, some economists were warning darkly that Britain might be headed toward a recurrence of the payment gaps and currency crises of the 1960s and 1970s.

That pessimism contributed to the widespread selling of British

U.S. Ended '86 On Slow Note, Purchasers Say

wisdom of some elements of the case.

"But we're trapped — a Catch-22," one top official said. "If we reveal too much, we will definitely jeopardize future investigations related to the Boesky case. So we have to be big boys and take the heat."

Perhaps most responsible for the



"After the first week or two, everything began to turn negative."
— Gary C. Lynch, Head of SEC enforcement division

Some raise even larger questions about the ability of the commission to deter illegal schemes. They cite concern that the commission's modest budget, which amounted to

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All these notes having sold, this announcement appears as a matter of record only

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| BERLINER HANDELS- UND FRANKFURTER BANK | CAISSE DES DEPOTS ET CONSIGNATIONS |
| CREDIT COMMERCIAL DE FRANCE | CREDIT LYONNAIS |
| CREDIT SUISSE FIRST BOSTON LIMITED | DEUTSCHE BANK CAPITAL MARKETS LIMITED |
| ECB AMRO BANK LIMITED | ISTITUTO BANCARIO SAN PAOLO DI TORINO |
| KLEINWORT BENSON LIMITED | MERRILL LYNCH CAPITAL MARKETS |
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September 1986

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Table with columns: Sales in 100s, High, Low, Close, Chg. Lists various stocks like Sunoco, Amstar, and others.

Wall Street Review

AMX Most Active, NYSE Most Active, AMEX Sales, NYSE Sales

Summary of market activity including AMEX Most Active, NYSE Most Active, AMEX Sales, and NYSE Sales.

Mutual Funds

Figures as of close of trading Friday, Jan. 2

Table listing various mutual funds such as Fidelity, American Mutual, and others.

1986 Name Changes

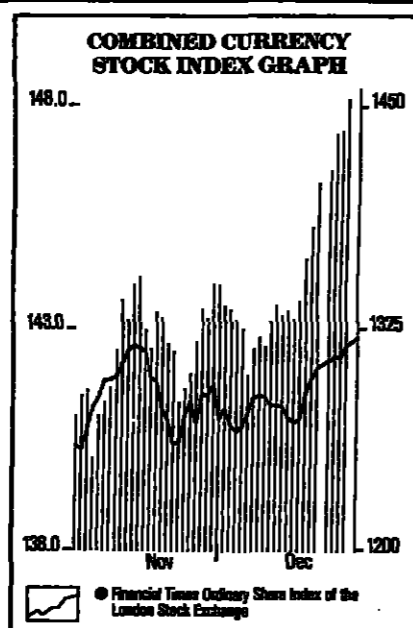
The companies listed below changed their name during 1986.

Table listing companies that changed their names in 1986, including Alcor Inc., American Inv. Life, and others.

WORLD STOCKS IN REVIEW

Via Agence France-Press

Amsterdam: Volume was extremely thin in just three days of trading on the Amsterdam stock exchange last week. The ANX-CBS general index finished Friday at 277.5, down from 279.5 on Monday.
Frankfurt: Demand was tepid last week on the Frankfurt stock exchange, where trading was limited to three days because of year-end holidays.
Hong Kong: Local investors ruled the roost at the Hong Kong stock exchange last week, leading a pre-New Year's buying binge before raking in profits on Friday.



Analysts had been forecasting a robust showing early in the New Year, citing good corporate results, strong foreign investment, controlled inflation and lower interest rates.
But the lingering rail strike, the weakness of the French franc and the fall in the dollar have thrown such projections into doubt.

Singapore: The Singapore stock market ended 1986 on a lackluster note as an expected rally did not materialize and shares drifted lower in the absence of buying support.
There was no incentive to spark interest in the holiday-shortened week, and even the discovery of fraud in Overseas Union Bank Ltd.'s Hong Kong branch attracted little attention.

Shell Agrees to Pay U.S. \$180 Million Settlement
WASHINGTON — The U.S. Energy Department plans to settle charges of violations of oil-price controls with Shell Oil Co. for \$180 million.

Paris: The Milan bourse gained ground last week in quiet trading, with investors focusing on treasury, or nonvoting, shares.
The COMIT index gained in all four sessions, to close Friday at 726.16 points, up 2 percent from the finish on Dec. 24, the last session of the previous week.

London: The stock market returned from the Christmas break in good form, although turnover and attendance were well down on either side of the New Year's celebration.
The Financial Times industrial share index closed at 1,320.2 points, up from 1,301.2 on Dec. 24, the last day of trading in the previous week.

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New York Stock Exchange 1986 Prices

1986 Consolidated Trading on U.S. Stock Markets

Market Indexes

Dow Jones Averages

| Index | Open | High | Low | Close | Chg |
|------------|----------|---------|---------|---------|-------|
| Industrial | 1,227.23 | 1,256.7 | 1,225.9 | 1,245.9 | +21.1 |
| Transport | 176.56 | 184.25 | 183.5 | 182.77 | +6.25 |
| Utilities | 174.46 | 181.13 | 180.7 | 180.41 | +6.25 |
| Comp. | 413.8 | 427.89 | 422.8 | 423.63 | +11.3 |

Standard & Poor's Index

| Index | Open | High | Low | Close | Chg |
|------------|--------|--------|--------|--------|-------|
| Industrial | 292.77 | 298.54 | 297.97 | 297.37 | +5.37 |
| Transport | 51.38 | 53.75 | 53.1 | 53.1 | +1.73 |
| Utilities | 51.38 | 53.75 | 53.1 | 53.1 | +1.73 |
| Comp. | 254.8 | 262.04 | 261.77 | 261.29 | +6.49 |

AMEX Stock Index

| Index | Open | High | Low | Close | Chg |
|------------|--------|--------|-------|-------|--------|
| Industrial | 265.19 | 268.28 | 267.7 | 267.7 | +17.14 |

Diaries

NYSE

| Index | Open | High | Low | Close | Chg |
|------------|--------|--------|-------|-------|-------|
| Industrial | 145.25 | 152.25 | 148.5 | 149.5 | +17.0 |
| Transport | 15.75 | 16.25 | 15.5 | 15.75 | +0.5 |
| Utilities | 12.5 | 13.0 | 12.25 | 12.5 | +0.25 |
| Finance | 8.5 | 9.0 | 8.25 | 8.5 | +0.25 |

NASDAQ Index

| Index | Open | High | Low | Close | Chg |
|------------|--------|--------|--------|--------|--------|
| Composite | 411.33 | 422.06 | 418.01 | 421.61 | +24.61 |
| Industrial | 225.75 | 232.54 | 225.29 | 228.34 | +16.59 |
| Transport | 42.5 | 44.25 | 42.25 | 42.5 | +0.25 |
| Utilities | 34.48 | 35.75 | 34.75 | 35.125 | +0.645 |

AMEX

| Index | Open | High | Low | Close | Chg |
|-----------|--------|--------|-------|-------|--------|
| Composite | 265.19 | 268.28 | 267.7 | 267.7 | +17.14 |

Sales

NYSE

| Index | Open | High | Low | Close | Chg |
|------------|--------|--------|-------|-------|-------|
| Industrial | 145.25 | 152.25 | 148.5 | 149.5 | +17.0 |
| Transport | 15.75 | 16.25 | 15.5 | 15.75 | +0.5 |
| Utilities | 12.5 | 13.0 | 12.25 | 12.5 | +0.25 |
| Finance | 8.5 | 9.0 | 8.25 | 8.5 | +0.25 |

AMEX

| Index | Open | High | Low | Close | Chg |
|------------|--------|--------|-------|-------|--------|
| Industrial | 265.19 | 268.28 | 267.7 | 267.7 | +17.14 |

OTC

| Index | Open | High | Low | Close | Chg |
|------------|--------|--------|-------|-------|--------|
| Industrial | 265.19 | 268.28 | 267.7 | 267.7 | +17.14 |

Can Wall Street's Biggest-Ever Party Continue?

By John Crudele
New York Times Service

NEW YORK — On Aug. 13, 1982, with the United States stumbling out of a recession, the Federal Reserve Board used its vast powers over interest rates to try to bring the economy out of its slump; in doing so, it touched off the Great Bull Market of the 1980s.

Four and a half years later, Wall Street is wondering whether the most successful millionaire maker of all time can continue to romp for at least one more year. And while there is seldom anything resembling a consensus in the investment community, many market experts are convinced that stock prices can continue to rise as long as interest rates go no higher than current levels.

"I'm reminded of that quote by Mae West, who said, 'Too much of a good thing is wonderful,'" said John Hotchkis, whose firm, Hotchkis & Wiley in Los Angeles, is keeping the \$2.5 billion it manages for 25 institutional investors almost entirely in the stock market.

Even though corporate earnings did not live up to expectations this past year, Wall Street triumphed, thanks in large part to some heavy first-half gains, spurred by lower interest rates on competing bond investments. The Dow Jones industrial average, which tracks the action of 30 of the nation's biggest stocks, rose 22.6 percent in 1986, far outpacing the broader indexes of the New York American and over-the-counter stock markets.

The blue-chip Dow index even threatened to catapult through the vaulted 2,000 level during December, before pulling back. On Wednesday, it closed at 1,895.95, not far off its record of 1,955.57 set Dec. 2.

To put those numbers in perspective, the Dow closed at just 788.05 on that Friday in August 1982 when the Federal Reserve cut the discount rate, which is the all-important rate it charges its member banks for loans. In the 52 months since then, in what has become by some measures the second-best bull market in history both in terms of percentage gains and duration, investors have made an estimated \$50 billion in paper profits from equities. That vast sum far surpasses any gains scored in such a span.

A.C. Moore, head of research at Argus Research, for instance, is predicting that the stock market will climb 15 percent in 1987, which will correspond closely to the amount he thinks corporate earnings will rise.

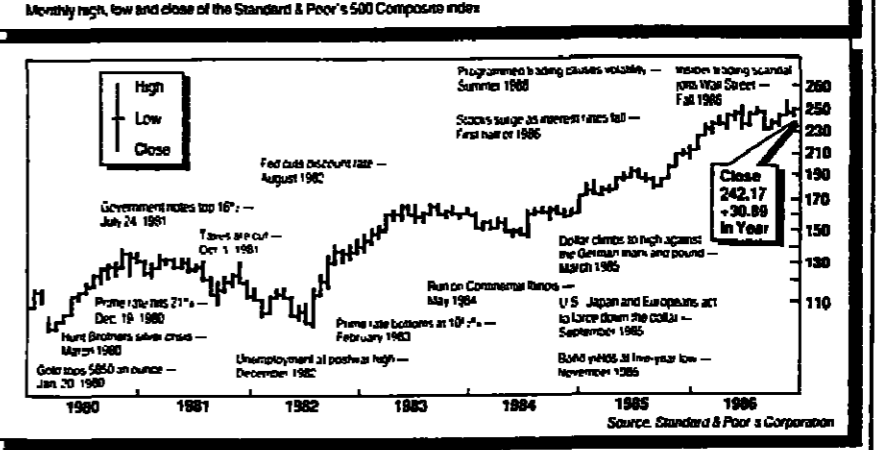
But Mr. Moore believes that most of the gain will come in the latter part of the year. In early 1987, he fears, stock prices will come under pressure because of poor economic conditions.

Yet even the most ardent supporters of the market realize stock prices go in both directions. As Mr. Hotchkis put it: "It won't last forever. We still live in a cyclical world, and no one has yet found the whereabouts of the tooth fairy."

The cycle that people are most worried about these days is an economic one. Even with the Fed combing softness in the nation's economy through a friendly monetary policy, corporations for the most part are still reporting mediocre profits.

Standard & Poor's, Corp. predicts that moderate to good earnings growth will be experienced by the retailing industry, bank-

The Path of the 1980's Long-Term Bull Market



Percent Gainers

NYSE

| Symbol | High | Low | Close | Pct. Chg |
|--------|--------|--------|--------|----------|
| AT&T | 26.25 | 26.00 | 26.125 | +0.125 |
| IBM | 125.00 | 124.00 | 124.50 | +0.50 |
| GE | 35.00 | 34.50 | 34.75 | +0.25 |
| Ford | 21.00 | 20.75 | 20.875 | +0.125 |
| Merck | 45.00 | 44.50 | 44.75 | +0.25 |

AMEX

| Symbol | High | Low | Close | Pct. Chg |
|--------|--------|--------|--------|----------|
| AT&T | 26.25 | 26.00 | 26.125 | +0.125 |
| IBM | 125.00 | 124.00 | 124.50 | +0.50 |
| GE | 35.00 | 34.50 | 34.75 | +0.25 |
| Ford | 21.00 | 20.75 | 20.875 | +0.125 |
| Merck | 45.00 | 44.50 | 44.75 | +0.25 |

OTC

| Symbol | High | Low | Close | Pct. Chg |
|--------|--------|--------|--------|----------|
| AT&T | 26.25 | 26.00 | 26.125 | +0.125 |
| IBM | 125.00 | 124.00 | 124.50 | +0.50 |
| GE | 35.00 | 34.50 | 34.75 | +0.25 |
| Ford | 21.00 | 20.75 | 20.875 | +0.125 |
| Merck | 45.00 | 44.50 | 44.75 | +0.25 |

Actives

NYSE

| Symbol | High | Low | Close | Pct. Chg |
|--------|--------|--------|--------|----------|
| AT&T | 26.25 | 26.00 | 26.125 | +0.125 |
| IBM | 125.00 | 124.00 | 124.50 | +0.50 |
| GE | 35.00 | 34.50 | 34.75 | +0.25 |
| Ford | 21.00 | 20.75 | 20.875 | +0.125 |
| Merck | 45.00 | 44.50 | 44.75 | +0.25 |

AMEX

| Symbol | High | Low | Close | Pct. Chg |
|--------|--------|--------|--------|----------|
| AT&T | 26.25 | 26.00 | 26.125 | +0.125 |
| IBM | 125.00 | 124.00 | 124.50 | +0.50 |
| GE | 35.00 | 34.50 | 34.75 | +0.25 |
| Ford | 21.00 | 20.75 | 20.875 | +0.125 |
| Merck | 45.00 | 44.50 | 44.75 | +0.25 |

OTC

| Symbol | High | Low | Close | Pct. Chg |
|--------|--------|--------|--------|----------|
| AT&T | 26.25 | 26.00 | 26.125 | +0.125 |
| IBM | 125.00 | 124.00 | 124.50 | +0.50 |
| GE | 35.00 | 34.50 | 34.75 | +0.25 |
| Ford | 21.00 | 20.75 | 20.875 | +0.125 |
| Merck | 45.00 | 44.50 | 44.75 | +0.25 |

ing, drugs, insurance, and microcomputer software companies. A turnaround will take place, it predicts, for computer makers and the closely related semiconductor industry.

Staying in the dumps, it believes, will be the auto and oil industries, while profits for the military industry will remain at about this year's levels.

Brokerage firms, as always, differ on where to invest in 1987. Prudential-Bache Securities Inc., for instance, is recommending the home-building industry, as well as paper and forest products stocks.

In those groups, it likes Georgia-Pacific, Great Northern Nekeosa, Hovnanian Enterprises, Kaufman & Broad, Lennar Corp. and Ryland Group. Among other stocks it finds attractive are Anheuser-Busch, the beer maker; Arkansas Best, a trucking company; and Gammat, a newspaper publisher.

But Wall Street is also keeping a wary eye on other things. Insider-trading scandals and tax reform, although monumental news events in 1986, may not yet have had a full-blown impact on the stock market. And new trading techniques — notably the split-second programs used by professionals to participate simultaneously in futures, options and stocks — could have an even more profound effect on who is willing to play the market in the years to come.

"We are in a bull market, but we have not had the traditional third leg of the bull market," said Allen Sinai, chief economist with Shearson Lehman Brothers, who predicts the next upturn will still occur. "The reason has been disappointing economic growth and disappointing profits."

More than 50 economists recently surveyed by Eggert Economic Enterprises Inc. of Sedona, Arizona, estimate, furthermore, that the nation's inflation-adjusted gross national product will rise a modest 2.5 percent in 1987. In the middle of 1986, those same economists were predicting more energetic GNP growth of 3.5 percent.

Standard & Poor's, whose stock indexes are some of the most carefully watched on Wall Street, said corporate profits improved just 11.2 percent during 1986. That was far below the approximate 20-percent rise the 500 companies that make up S&P's biggest index had been expected to enjoy. The early prediction for 1987: a 20-percent profit jump.

Profits in the stock market, meanwhile, have been so enormous that some experts fear they cannot continue to grow — especially without getting a forceful assist from a better economy.

Said Leonard Heine Jr., who manages \$1 billion worth of other people's money through Management Asset Corp., based in Westport, Connecticut: "1986 was so much more than people expected, and it was due primarily to the destruction of interest rates. People were looking for places to put money. And I don't think any of us, in our wildest dreams, anticipated a market reaching 2,000 by the end of 1986."

Lower interest rates help the stock market by diverting money from other investments. Indeed, money has come out of low-paying certificates of deposit and money market funds, for instance, and gone into stocks. But there is little evidence that corporate profits are picking up a windfall from lower credit costs.

"Nowhere do we see any fundamentals that support a market staying at this level," said Mr. Heine. "You have, to say the least, a very sluggish economy."

Taking a slightly broader historical view, however, might justify the gains. "If you look at it in the longer-term context, by taking into account the fact that the market was so weak during the late 1960s and all during the '70s, I think you would draw a slightly different conclusion," said Lawrence Chimrine, chief economist of Chase Econometrics of Bala Cynwyd, Pennsylvania.

"To some extent, I think we are just catching up to a weak and undervalued stock market in those prior years."

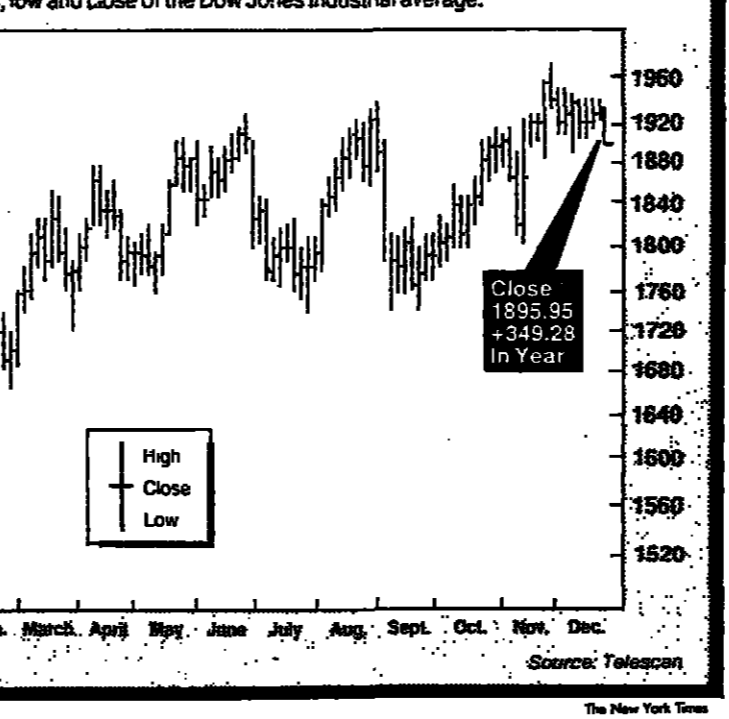
The biggest mystery of 1987, market experts agree, will be the insider-trading scandals that have rocked Wall Street. Nearly everyone expects the Securities and Exchange Commission's lasso to catch others who might have helped Ivan F. Boesky, the now deposed king of Wall Street arbitrageurs, illegally reap enormous profits on corporate takeovers.

But the Boesky situation could end up having its biggest effect on corporate takeovers, which have proved very profitable these last few years not only for Wall Street professionals but also for the average investor who happens to find himself holding stock in a company that gets bought out.

New York Stock Exchange 1986 Prices

| Symbol | High | Low | Close | Pct. Chg |
|--------|-------|-------|--------|----------|
| AA | 21.00 | 20.75 | 20.875 | +0.125 |
| ABB | 15.00 | 14.75 | 14.875 | +0.125 |
| ABC | 10.00 | 9.75 | 9.875 | +0.125 |
| ABD | 8.00 | 7.75 | 7.875 | +0.125 |
| ABE | 6.00 | 5.75 | 5.875 | +0.125 |
| ABF | 4.00 | 3.75 | 3.875 | +0.125 |
| ABG | 2.00 | 1.75 | 1.875 | +0.125 |
| ABH | 1.00 | 0.75 | 0.875 | +0.125 |
| ABI | 0.50 | 0.25 | 0.375 | +0.125 |
| ABJ | 0.25 | 0.00 | 0.125 | +0.125 |

The Dow's Performance in 1986



Weekly high, low and close of the Dow Jones industrial average.

| Month | High | Low | Close | Pct. Chg |
|-------|---------|------|---------|----------|
| Feb | 1800 | 1780 | 1790 | -0.5 |
| Mar | 1820 | 1800 | 1810 | +0.5 |
| Apr | 1840 | 1820 | 1830 | +0.5 |
| May | 1860 | 1840 | 1850 | +0.5 |
| Jun | 1880 | 1860 | 1870 | +0.5 |
| Jul | 1900 | 1880 | 1890 | +0.5 |
| Aug | 1920 | 1900 | 1910 | +0.5 |
| Sept | 1940 | 1920 | 1930 | +0.5 |
| Oct | 1960 | 1940 | 1950 | +0.5 |
| Nov | 1980 | 1960 | 1970 | +0.5 |
| Dec | 1955.57 | 1935 | 1895.95 | +349.28 |

| Symbol | High | Low | Close | Pct. Chg |
|--------|-------|-------|--------|----------|
| AA | 21.00 | 20.75 | 20.875 | +0.125 |
| ABB | 15.00 | 14.75 | 14.875 | +0.125 |
| ABC | 10.00 | 9.75 | 9.875 | +0.125 |
| ABD | 8.00 | 7.75 | 7.875 | +0.125 |
| ABE | 6.00 | 5.75 | 5.875 | +0.125 |
| ABF | 4.00 | 3.75 | 3.875 | +0.125 |
| ABG | 2.00 | 1.75 | 1.875 | +0.125 |
| ABH | 1.00 | 0.75 | 0.875 | +0.125 |
| ABI | 0.50 | 0.25 | 0.375 | +0.125 |
| ABJ | 0.25 | 0.00 | 0.125 | +0.125 |

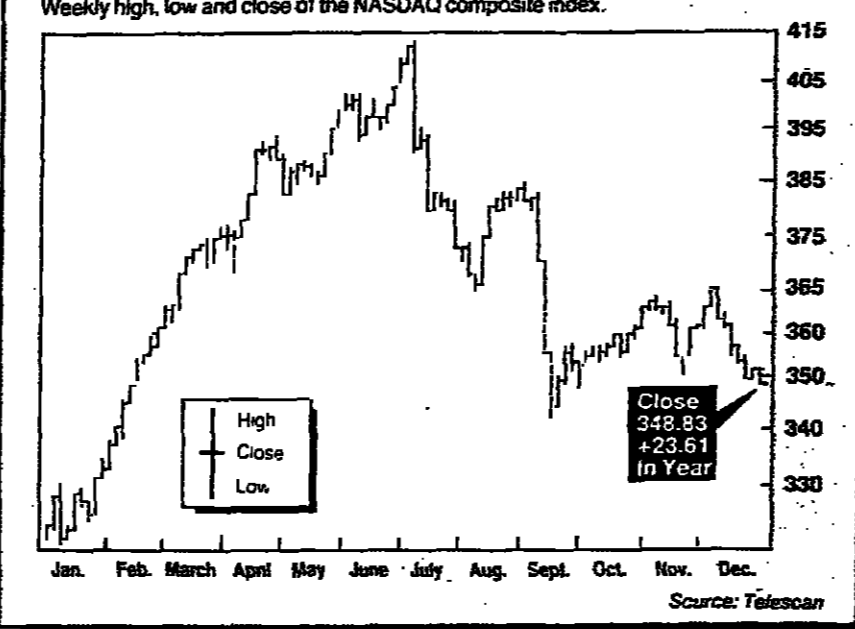
WALL STREET IN 1986: Over-the-counter results trailed the other markets

NASDAQ National Market 1986 Prices

Table of NASDAQ National Market 1986 Prices, listing various stocks and their performance metrics.

Table of stock prices and performance metrics, including columns for 12 Month High/Low, Stock, Yld., PE, Vol., High/Low/Close/Change, and Pct. Change.

The NASDAQ Performance in 1986



Weekly high, low and close of the NASDAQ composite index. Source: Telescan

Table of stock prices and performance metrics, continuing from the previous table, listing various stocks and their performance metrics.

Table of stock prices and performance metrics, continuing from the previous table, listing various stocks and their performance metrics.

Mutual Fund 1986 Pri

(Continued on next page)

WALL STREET IN 1986: Offshore mutual funds led the pack

Mutual Fund 1986 Prices

Table of mutual fund prices for 1986, organized into columns by fund name, 12-month high/low, and percentage change. Includes various categories like Domestic, International, and Bond funds.

NASDAQ National Market 1986 Prices

Table of NASDAQ National Market prices for 1986, listing various stocks and their performance metrics.

SPORTS

SPORTS BRIEFS

Kookaburra III Gains Defender-Final Berth

World Cup Ski Races to Swiss, Swede

LAAX, Switzerland (AP) — Franz Heinzer won a downhill race Sunday to give Swiss skiers their 14th World Cup victory in 26 men's and women's races this season.

By Ruth Youngblood United Press International
FREMANTLE, Australia — Kookaburra III harnessed strong winds Sunday for a crushing 8:57 victory over stablemate Kookaburra II in the America's Cup defender semifinals to nail down one of two final berths.

Australia IV must win one of the remaining two races against Kookaburra II or Kookaburra III to wrap up the other final slot.

The victor in the defender finals will meet the winner of the best-of-seven challenger clash between Dennis Conner's Stars and Stripes and New Zealand's fiberglass 12-meter.

Czechoslovaks Beat Soviets in Hockey

CALGARY, Alberta (AP) — Goaltender Dominik Hasek stopped 19 of 21 shots Saturday night as Czechoslovakia upset the Soviet Union, 3-2, to win the gold medal at the Calgary Cup hockey tournament.

Warren Jones, Australia IV's executive director, said: "There are only two races to go and we've got to win one. If we don't beat one of the Kookaburras in the next two days we are not good enough to be there. When you have the fastest boat you have no excuse for not winning."

Kookaburra II still has a mathematical chance of ousting Australia IV and turning the finals into a monopoly by Kevin Parry's boats.

Jones is hoping for a rematch against Conner, the 1983 loser. "He's the biggest and meanest sucker in the forest," Jones said.

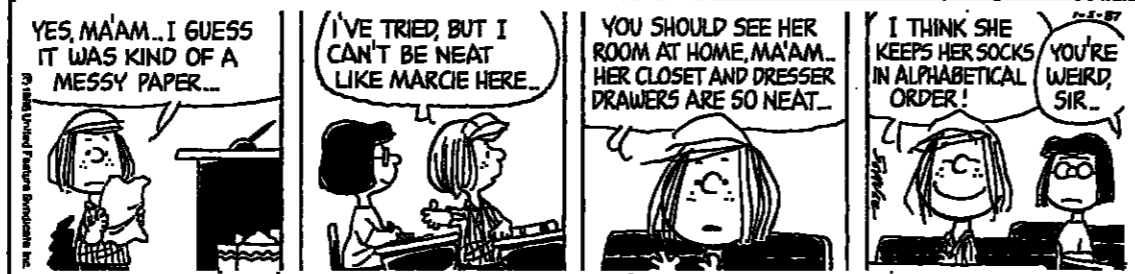
Quotable

Penn State Coach Joe Paterno, asked to compare his 1986 national champions to his 1982 title team: "I need a little time to think. I'm groggy. I had a couple of players in my room at 3 A.M. looking for a case of beer." (L47)



Australia IV, here tacking behind Kookaburra II, was disqualified from Saturday's race.

PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD

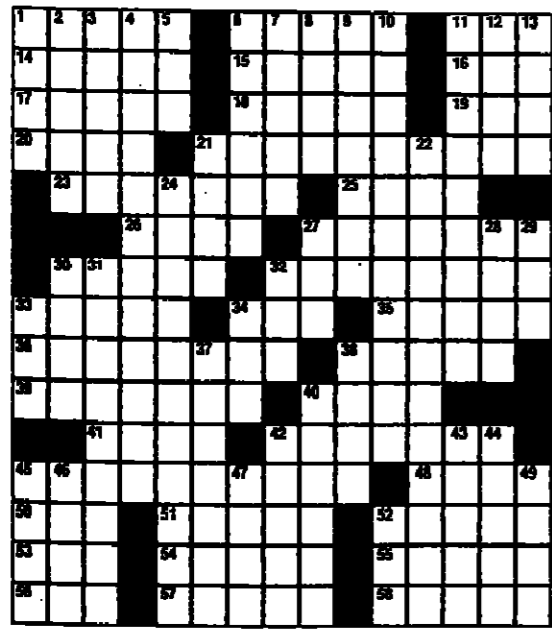


NASDAQ National Market 1986 Prices

Table with columns for 12 Month High, Low, Stock, Yld, PE, Vol, High, Low, Close, Chg, Pct. Lists various stocks and their performance metrics.

NASDAQ Volume

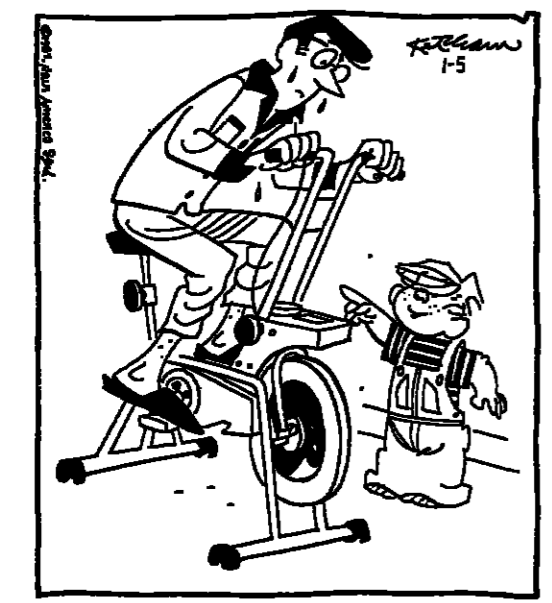
Table showing Total NASDAQ share volume for each year from 1982 to 1986.



ACROSS
1 House slipper
6 The entire range
11 With-it
14 Asian capital
15 Convex molding
16 "Doc" Horne" author
17 Fla. entertainment ctr.
18 Movie cowboy
19 — culpa
20 Thaw
21 An objective for Sally?
23 Small falcon
25 Bit
26 "B.C." character
27 Bruce Jenner, e.g.
28 Actor Milo
29 Cajoles
30 Father, to Fabius
34 — Cayes, Haitian seaport
35 Yorkshire city
36 Song from "Finian's Rainbow"
38 Pub measures
39 With garish vividness
40 Performer Turner.

© New York Times, edited by Eugene Malachuk.

DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.
NELK
TOOBA
ZELPUZ
BREEMM

Print answer here: _____

WEATHER

Table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, OCEANIA. Lists cities and their weather conditions.

MONDAY'S FORECAST — CHANNELL: Very choppy. TRANSPORT: Snow of 1-2 inches. ...

صحة من الأصل

SPORTS

Penn State Picks Off Miami, National Title

By Michael Wilbon Washington Post Service

TEMPE, Arizona — DJ. Dozier's six-yard run with 8:13 remaining, two plays after Vinny Testaverde threw the fourth of his five interceptions, gave second-ranked Penn State a 14-10 victory over No. 1 Miami in the Fiesta Bowl and its second national championship in five years.

Charles Henry, the tight end, on fourth down at Penn State's 20, ended one drive. The Hurricanes don't need good field position to move the ball. But they dropped four passes, turned the ball over three times and committed four penalties early in the half. That was enough to negate their 137-7 edge in total yardage in the first quarter.

One of the fumbles, after a 24-yard reception by Michael Irvin, allowed the Nittany Lions to begin at Miami's 44. But that series didn't last long. Dozier, Penn State's senior tailback, gained four yards, then lost three. Shaffer passed to Dozier on third and nine, but the play gained only three yards and Penn State called for Bruno.

The next series didn't produce any points, but it did demonstrate why Testaverde won the Heisman. After Bruno had pinned the Hurricanes at the 9-yard line, Testaverde took too long to look for a receiver and Don Coakley, a linebacker, sacked him at his 3. On third and 16, Testaverde was dangerously close to stepping on the back line of the end zone — and equally close to being sacked by lineman Bob White.

Instead of going down, Testaverde broke White's arm tackle, then blasted out of the end zone and wasn't tackled until he had gained 21 yards to the 24. Miami struggled downfield and into Penn State territory. But Duffy Cobbs intercepted Testaverde's pass inside the 15-yard line.



Chicago's Doug Flutie, pressured by the Redskin defense: "Things just weren't clicking."

SCOREBOARD

Basketball

Table with columns for Eastern Conference Atlantic Division and Central Division. Lists teams like Boston, Philadelphia, Washington, and their win/loss records.

U.S. College Scores

Table with columns for Division I and Division II. Lists college teams like Albany, Cornell, and their scores.

NBA Standings

Table with columns for Eastern Conference Atlantic Division, Central Division, Pacific Division, and Western Conference. Lists NBA teams and their records.

Hockey

National Hockey League Standings

Table with columns for Wales Conference and Adams Division. Lists NHL teams like Philadelphia, NY Islanders, and their records.

World Cup Skiing

Table with columns for Men's Downhill and Men's Slalom. Lists skiers like Franz Heber, Peter Wirnsberger, and their times.

America's Cup

Table with columns for Def Protonica, Australia, and other teams. Lists names like Yacht, Australia 11, and their scores.

Transition

Table with columns for Baseball, American League, and National League. Lists teams like Texas Rangers, Oakland Athletics, and their records.

Football

Table with columns for Fiesta Bowl, Penn State, and other events. Lists teams like Penn State, Miami, and their scores.

Bears Are Dethroned by Redskins, 27-13

By Michael Janofsky New York Times Service

CHICAGO — The Chicago Bears' season of success and turmoil came to a stunning end here Saturday when the defending National Football League champions were beaten by the Washington Redskins in the divisional round of the playoffs.

Giants Win, Jets Beaten

The Associated Press

EAST RUTHERFORD, N.J. — The New York Giants moved into a game of their first Super Bowl by thrashing the San Francisco 49ers, 49-3, on Sunday as Phil Simms passed for four touchdowns.

What's wrong with a system that mixes anarchy with conference loyalties, cold hard cash with the magic wand of presidential intercession, the ingenuity of network magnates bumping up against the polls of coaches and football writers?

PHOENIX, Arizona — March 1997. Liberty Baptist College is here in Boston College in the Honda-Mitsubishi-Sumoto Sayanara Bowl in Tokyo. The winner will receive \$10 million and the loser \$5 million, just like a heavyweight fight.

European Soccer

Table with columns for English First Division, Scottish First Division, and other leagues. Lists teams like Liverpool, Manchester City, and their records.

Transition

Table with columns for Baseball, American League, and National League. Lists teams like Texas Rangers, Oakland Athletics, and their records.

day, we had some critical ones at the wrong time." From the Redskin perspective, victory was marked by the brilliant play of Jay Schroeder (he twice turned blitzes into touchdowns), by the solid second-half running of George Rogers and by the relentless play of Jay Schroeder (he twice turned blitzes into touchdowns).

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VANTAGE POINT/George Vecsey

If It Ain't Broke, Don't Fix It

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Scize the world

LANGUAGE

Slamming the gate

By William Safire

WASHINGTON — The news about the nomenclature of the arms scandal is that "gate" is dead as a combining form.

In European newspapers, "Irangate" was tried, but Americans did not pick it up; doves here have tried to shift the focus to Nicaragua by calling it "Nicaragagate," but hawkers resisted; "Northgate," after the Marine lieutenant colonel in the center of the mess, was too specific and limiting.

What catchy moniker should be applied to the current crisis? Suggestions, mostly facetious, have ranged from "Iranomack" to "Gipper-dimmering"; it is as if a scandal without an agreed-upon label lacks the identity that turns a story into history. However, the grand tradition of Credit Mobilier, Teapot Dome and Watergate, and corruption's lesser syncretic tradition of Deepfrozene and Vietnam coats, has been interrupted this time. Perhaps because there are too many suggested names, or because the scandal has not found a locus (Arms-for-hostages? Secret dealings wrongly withheld from Congress? Diversion of funds?), the business of naming the scandal is in more disarray than the Reagan administration.

When may a newspaper properly use the slang verb to peek? John Irving, the novelist, called me to protest a decision made by The New York Times not to use that widely used euphemism in a book review he had written of "Seven Rivers West," by Edward Hoagland.

One of the characters in the lusty tale, which Irving reviewed favorably, is a trader known for his prowess in long-distance trading. The reviewer felt it important to refer to the character and his talent. Although authors of the stature of John Irving are cited in dictionaries to illustrate the development and acceptance of words, the following line was published in the Book Review section of The Times: "The wild journey that only Cecil and Margaret manage to finish ends outside the tent of a trader who's famous for winning bladder-voiding competitions."

"The word I wrote was peeing," Irving affirms. "Totally ineffective word — a euphemism, in fact, for

peeing, a perfectly good English word. To me, bladder-voiding is repellent."

I have been noodling that one. Pee is certainly the gentlest of euphemisms, but it is a slang term and once a publication admits to use of slang in describing both functions, it assaults the ramparts of taste. Newspapers that respect their readers' intelligence do not shy from such Standard English words as urinate — it was used in a Times front-page subhead recently in connection with drug testing — but draw the line against using slang words to denote the same function.

If the judgment were mine, I would ban pee, not because it is slang but because it is a baby-talk euphemism; instead, I would accept the word for which it substitutes as Standard English, but most people do not feel as strongly as I do about euphemisms.

Then along came Mario M. Cuomo, governor of New York, whose 1986 campaign for re-election included an episode that bears on this issue. Cuomo, whose early refusal to debate his opponent drew some criticism, was appearing on a radio talk show that took telephone calls from the public. One of the callers was his opponent, Andrew O'Rourke, who sought to engage him in impromptu debate, and the governor cut him off.

Asked to explain his refusal to continue the conversation, Cuomo was quoted in The Daily News as saying: "I'm on the radio, minding my business. A guy tries to hit me from behind; he calls up without telling us, and pees on my shoe." Should that comment be reported? Yes. A way of reporting it without direct quotation, to avoid printing the slang term, would be this: "The governor objected to his opponent's surprise call by comparing it to bladder-voiding on his shoe." But that would be silly. Cuomo is a public person making a public statement, on the record. He may one day be president of the United States; if he says "pees on my shoe," that comment deserves to be recorded as much as a picture of Nelson A. Rockefeller making a motion with his middle finger to a crowd of protesters (that "single-digit salute" was printed everywhere).

New York Times Service

Sherlock's Hundred Years

By Rebecca Brice

Ten members of the Baker Street Irregulars of New York, the Sherlock Holmes Society of London and like-minded scholars around the world, the anniversary coming up this year is officially no big deal. The centennial, they say, was in 1954, 100 years after the master's birth. And, of course, he never died, but lives still on the Sussex Downs, keeping bees.

Yet the rest of the world is taking lively note: 100 years ago, the greatest detective of all time made his first bow in print. Mystery buffs from many nations and at least three separate continents will turn out for events such as workshops, symposia and tours to sites that figure prominently in the Sacred Writings (or Saga, or Canon, as Sherlockians variously call the body of tales about the hero).

Even the Sherlock Holmes Society and the Baker Street Irregulars will not exactly ignore the anniversary when they meet Tuesday and Thursday, respectively, for their annual dinners. So noteworthy is the occasion that the London group, which usually gathers at the Charing Cross Hotel, will assemble at the House of Commons.

"A Study in Scarlet: Being a Reprint from the Reminiscences of John H. Watson, M.D., Late of the Army Medical Department" was rejected by several publishers before Ward, Lock & Co. bought the manuscript for £25 in October 1886. More than a year later, in Boston's Christmas Annual of 1887, the world read these words for the first time:

"Dr. Watson, Mr. Sherlock Holmes," said Stamford, introducing us.

"How are you?" he said cordially. "You have been in Afghanistan, I perceive."

The question of just why those lines should have become immortal has inspired reams of scholarly work, not to mention pseudo-scholarly, but it remains largely unanswered. No matter. Sherlock Holmes' grip on the public imagination has never weakened in his first century. One measure of the degree to which the great consulting detective acquired a life of his own is that he has an entry in the Encyclopaedia Britannica, albeit under S rather than H. Not only does it appear to be the only entry devoted to a (dare one say it?) fictional detective, it is longer than many of the Britannica's entries on nonfictional figures. Holmes, it says, "became the prototype for the modern maturing detective and generated the most enduring tradition in detective fiction."



From Punch magazine: Holmes and his captive, Conan Doyle.

Baker Street Irregulars is that this tradition owes its strength to Watson, whose literary agent was one Arthur Conan Doyle. In the infinitely less interesting real world, Conan Doyle felt himself a prisoner of the character he had created. In 1893, on a trip to Switzerland with his wife, Conan Doyle visited "the wonderful falls of Reichenbach, a terrible place, and one that I thought would make a worthy tomb for Sherlock, even if I buried my banking account along with him." A few months later, Conan Doyle killed Holmes, as he thought, in a confrontation with the evil Professor Moriarty at Reichenbach Falls.

Today the falls and the nearby town of Meiringen, where Holmes said Watson stayed, are pilgrimage sites for devout Sherlockians. In early May, members of the Sherlock Holmes Society in Victorian costume will be met by Hans Thoeni, director of the Sporhottel Sherlock Holmes in Meiringen, and escorted to the falls, where the fatal struggle will be re-enacted.

Switzerland's other chief attraction for students of the Saga is the Chateau de Luozes, between Lausanne and Bern, where Conan Doyle's son Adrian housed his collection of Holmes memorabilia. Francois Lugeon of the Conan Doyle Foundation in Lausanne said the visiting Holmesians would be treated to a reception at the chateau, whose Sherlock Holmes Museum includes what is widely considered the finest re-creation of the sitting room at 221B Baker Street.

Since, as Canonical scholars have more or less convincingly demonstrated, both Holmes and Watson spent time in the United States, it is not inappropriate that some of the most active Sherlockian groups are American. Indeed, the Baker Street Irregulars, founded by the writer Christopher Morley and other enthusiasts in New York on Jan. 6, 1934, was the prototype of these groups.

Peter Blau of Washington, editor of The Baker Street Journal, said the centennial year's activities would include a convention in the Los Angeles area in March; a gourmet Sherlockian dinner in May at the Culinary Institute of America in Hyde Park, New York, with all the food related to "A Study in Scarlet"; a workshop at the College of William and Mary in Williamsburg, Virginia, in July; and a weeklong symposium at Stanford University in Palo Alto, California, in August.

"I don't want to give the impression that all these gatherings are being held because of the 100th anniversary, but they will certainly be tied to it," Blau said. "There are a number of books planned. A group of Sherlockians is putting together a book that will essentially present the 12 Sherlock Holmes stories that Conan Doyle thought were the best," and a man in Minneapolis "is going to publish a fine-press reprint of 'A Study in Scarlet.'"

The Japanese are also ardent Holmes fans. The Japan Sherlock Holmes Club, which has branches in Tokyo, Kyoto, Nagoya, Kobe, Sendai and Shirakawa, is looking forward to celebrating not only the "Study in Scarlet" centennial but its own 10th anniversary in 1987.

Its founder, Tsukasa Kobayashi, a professor of psychoanalytic counseling at Sophia University, said Japanese Holmesians would throw a double anniversary party in February. A more serious commemoration of the centennial will be a special review containing essays on Holmes and the Canon by 20 writers. The club "issues an annual review of Sherlock Holmes in the Japanese language," Kobayashi said, "but this special issue on the centennial anniversary will come out at the end of the year."

Kobayashi, who has translated critical studies of Holmes and Conan Doyle into Japanese, said the club had focused at first on the stories and cases of the Canon but had shifted its interest in recent years to "the civilization of Victorian England," maintaining that the roots of modern Japanese society are found there.

Back in London, where so many of the Holmes adventures are set, where there is a



Late Holmes, with deerstalker hat, by G. Patrick Nelson, 1922.

detective finally surfaced when Conan Doyle was forced by his banking account and public opinion to resurrect his troublesome creation in 1903, the Abbey National Building Society has its main offices in Baker Street on the site that would include 221B if it were not that now, as in Conan Doyle's day, the address does not exist. Abbey maintains a "secretary to Mr. Sherlock Holmes" to handle the many letters that are still sent to the great man.

Other than the dinner Tuesday in Westminster, however, the anniversary is not much being marked in Britain. (It is typical of Holmesian scholarship, incidentally, that Jan. 6 was determined to be the detective's birth date because students poring over the Sacred Writings noticed that, while Holmes often quotes Shakespeare, "Twelfth Night" is the only play he quotes twice.)

Stanley MacKenzie, owner of the Sherlock Holmes Reference Collection in London, has published a commemorative postcard illustrated with the cover of Boston's Christmas Annual and other items from the collection of Holmesians that he has been amassing since 1946. And he will be at the dinner. But that is a

strictly private affair, for members only. There appear to be no events planned in Britain that the public may attend.

Essentially, in the detective's homeland, "you are a member of the Sherlock Holmes Society or you're not involved," said Captain Bill Mitchell, secretary of the society and its former chairman.

Perhaps it is just as well. Enthusiasts have always made their private pilgrimages to sites rich in associations with the Canon — Montague Street ("just round the corner from the British Museum"), where Holmes first lodged in London; Watson's beloved New Forest, where Conan Doyle is buried; the tort, moors and mires of Devonshire ("Dr. Mortimer looked strangely at us for an instant, and his voice sank almost to a whisper as he answered: 'Mr. Holmes, they were the footprints of a gigantic hound!')"; "They all exist most truly, as the Holmesian Vincent Starrett put it in a line much loved by his comrades, "in a romantic chamber of the heart: in a nostalgic country of the mind: where it is always 1895."

Mavis Gairner in Switzerland, Christine Chapman in Tokyo and Fred Ferris in Washington contributed to this article.

ANNOUNCEMENTS

Couples unable to have children... USA DIVORCE in 14 days... ALCOHOLICS ANONYMOUS... GUAM USA DIVORCE... PERSONALS... MOVING... ALLIED WORLDWIDE MOVING... MARTIN TECHNICIANS - NICE 7

REAL ESTATE SERVICES

EMELY ANSON RELOCATION... REAL ESTATE FOR SALE... MONACO... Center of Monte Carlo "SUN TOWER"... NEULLY ST JAMES... REAL ESTATE TO RENT/SHARE... FRENCH PROVINCES... GREAT BRITAIN

REAL ESTATE TO RENT/SHARE

GREAT BRITAIN... SERVICE APARTMENTS... EXCEPTIONAL NEAR EFFEL TOWER... NEULLY ST JAMES... REAL ESTATE TO RENT/SHARE... FRENCH PROVINCES... GREAT BRITAIN

REAL ESTATE TO RENT/SHARE

PARIS AREA FURNISHED... AT HOME IN PARIS... 6th ODEON... 7th AVE BRETEUIL... Embassy Service... 7th LUXURY 6-ROOMS... IN A FAMOUS BUILDING

REAL ESTATE TO RENT/SHARE

PARIS AREA UNFURNISHED... 8TH ETOILE... REAL ESTATE WANTED/KEXCHANGE... EMPLOYMENT... AMERICAN RESTAURANT NEEDS... SECRETARIAL POSITIONS AVAILABLE... ARE YOU LOOKING FOR A TOP

EMPLOYMENT

DOMESTIC POSITIONS AVAILABLE... AUTO SHIPPING... AUTOS TAX FREE... TRANSCO... LEGAL SERVICES... HOTELS... COLLEGES & UNIVERSITIES... A KENSINGTON DEGREE... HEALTH SERVICES... LEGAL SERVICES

LEGAL SERVICES

2ND PASSPORT - 25 countries... LOW COST FLIGHTS... ACCESS VOYAGES... HEALTH SERVICES... LEGAL SERVICES

HOTELS

TUDOR HOTEL... COLLEGES & UNIVERSITIES... A KENSINGTON DEGREE... HEALTH SERVICES... LEGAL SERVICES

COLLEGES & UNIVERSITIES

A KENSINGTON DEGREE... HEALTH SERVICES... LEGAL SERVICES

HEALTH SERVICES

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Watch for our first issue. On Saturday, January 10 the International Herald Tribune will carry a full reprint of the Paris Herald of October 4, 1887 — our newspaper's very first issue — a present to our readers at the start of our Centennial year.